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# FINANCIAL TIMES

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TUESDAY FEBRUARY 9 1999

UNIVERSITY OF JORDAN SERIALS DIVISION

**Internet stocks**
'Most of the time I do not know what I am buying'
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**Ecology lobbying**
Greens turn their guns on the financiers
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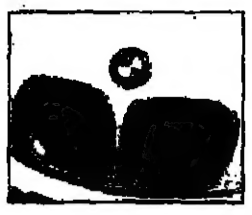

**BMW**
Perhaps size isn't everything
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**The Business of Travel**
Millennium menu is simmering
**Separate section**

# Bonn may rethink nationality plans

## SPD says poll loss could mean it changes its citizenship proposals

By Ralph Atkins and Frederick Studemann in Bonn

Germany's Social Democrat-led government yesterday conceded it might have to rethink plans to overhaul the country's 86-year-old nationality laws after losing its majority in the country's second chamber of parliament.

Oskar Lafontaine, SPD chairman and finance minister, acknowledged that defeat in Sunday's state elections in Hesse, central Germany, had followed a strong campaign by the opposition Christian Democratic Union against SPD plans to allow dual nationality for many of the 7m foreigners living in Germany. "We must now draw the consequences from this," Mr Lafontaine said.

Even the CDU's allies attacked the party strategy for inciting xenophobia, and Ottmar Schreiner, SPD general secretary in Hesse, accused the Christian Democrats of running a racist campaign in the state. He conceded, however, that the opposition had picked up considerable support in core Social Democrat constituencies among the working classes and unemployed.

Sunday's poll changed the political landscape by throwing out the local SPD/Green party coalition in Hesse and depriving the two parties, which make up the national coalition, of their majority in the Bundesrat, which represents federal states.

The government will now find it more difficult to enact important parts of its programme, including reforms of corporate tax scheduled for next year and other pending tax measures.

Gerhard Schröder, chancellor, yesterday faced calls from some senior SPD figures to water down government plans on citizenship laws, which are currently based on blood lineage. However, he will also face stiff pressure from the Greens not to compromise too far on the issue, which is a fundamental part of the party's programme.

The Hesse election saw the CDU's vote increase four percentage points to 43.4 per cent. Wolfgang Schäuble, party chairman, defended the controversial campaign against dual nationality launched by the CDU, which disputes government claims that widespread "dual nationality" – to be achieved by allowing foreigners to have two passports – will help integrate foreigners.

Mr Schäuble said the Hesse result proved the CDU was "the political power of the [political] centre". The party would use its Bundesrat influence to stop "red-green arrogance" and was looking for tax reforms that included a significant net give-away, perhaps worth as much as DM20bn ($11.6bn) a year.

Although the SPD increased its vote slightly, the Greens plunged four percentage points. The Green party leadership acknowledged that the Hesse outcome underscored a worrying longer-term threat to the party. It could no longer rely on picking up the youth vote, which the CDU successfully mobilised in Hesse.

**Bonn's coalition shies, Page 2**
**Editorial Comment, Page 15**

Jordanian soldiers carry the coffin of King Hussein to the royal cemetery beside Amman's Raghadan Palace. Among the mourners were princes, presidents and prime ministers. Page 5 Reuters

# Japan is set to be top bonds issuer

By Edward Luce in London

The Japanese government bond market is set to overtake the US Treasury market to become the largest in the world as a result of its planned borrowing spree this year.

Japan will account for more than 90 per cent of net government bond issuance (new debt minus redemption of maturing bonds) among the leading 18 developed economies in 1999, according to J.P. Morgan, the investment bank.

The effects are likely to trigger a further sell-off in the Japanese bond market this year and a fall in western government bond yields, which are already hovering around historic lows.

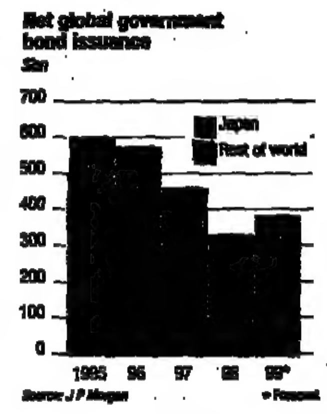
"Japan is going in the opposite direction to the rest of the developed world," said Matt King, a fixed income economist at J.P. Morgan. "This could have a far-reaching impact on bond prices around the leading markets."

Japanese government borrowing is a desperate bid to ward off depression after a succession of smaller fiscal stimulus packages have failed to revive the economy.

Japan plans to issue the equivalent of $517bn in yen in 1999 – a net increase (minus redemptions of maturing bonds) of $352bn in the Japanese government's debt.

This contrasts starkly with the US government, which will reduce the outstanding value of Treasury bonds by $112bn in 1999 because of its second consecutive annual budget surplus. At current exchange rates, the value of Japan's outstanding government bonds is expected to rise to almost $2,500bn this year while the value of US Treasury bonds would fall to below $2,200bn. The yield on the 10-year Japanese government bond, which has risen from an historic low of 0.7 per cent last year to almost 2.5 per cent in recent weeks, could therefore have much further to rise.

The crucial difference this year is that the Japanese government is unlikely to buy large amounts of its own debt. This is because Japan's Trust Fund bureau is likely to sell a large proportion of its existing holdings over the next two years to meet an unusually high level of redemptions of its retail deposit accounts.




**Bank of Japan under pressure, Page 6; Bonds, Page 26**

# Workers break back into Belgrade plant

By Guy Dinmore in Belgrade

Employees at a Belgrade pharmaceuticals company that was forcibly nationalised by the Serbian government at the weekend broke through police lines yesterday to get back into their workplace.

Many of them went on to sign a pledge of loyalty to ICN Pharmaceuticals, ICN Yugoslavia's former US-owned parent company.

Diplomats said it was no coincidence that the government raided ICN Yugoslavia just as the Kosovo talks were starting last weekend just outside Paris. They suggested that if President Slobodan Milosevic intended to make concessions to end the war against ethnic Albanian separatists, he would follow his usual pattern of consolidating power at home by cracking down on all dissent.

The government raid also appeared to be aimed at Milan Panic, ICN Pharmaceuticals' chairman and founder. Mr Panic is a Serb emigré to the US who served as federal Yugoslav prime minister from 1992 to 1993 but then fell out with Mr Milosevic over the war in Bosnia. Hec ran unsuccessfully against Mr Milosevic in elections in 1993.

Diplomats said the takeover of the company could result in the US prolonging sanctions against Belgrade.

"I'm sure there will be no US investment in Serbia in the light of this," said Greg Burton, a political officer at the US embassy in Belgrade. The US and the European Union had intended to lift the ban on investment in Serbia, which is part of federal Yugoslavia, if the warring parties in Kosovo reached agreement on the future of the Serbian province at the French talks.

Armed Serbian police stormed the ICN complex on Saturday, a day after the government declared unilaterally that it owned 65 per cent of the company. Amid jeers from workers of "thieves, thieves", Marija Krstajic, deputy health minister, declared herself the new general manager and ordered the eviction of the previous management.

"It is effectively a coup d'état," Dusan Mitevic, general director of ICN Yugoslavia, said.

The complex on the outskirts of Belgrade was the biggest of 32 factories worldwide in the ICN Pharmaceuticals group, contributing over a quarter of ICN's sales of about $800m in 1997 and employing 3,500 workers.

ICN took a 75 per cent stake in the plant in 1991 – when there was no ban on foreign investment. It was Serbia's first significant privatisation sale to a foreign owner.

ICN's share price on the New York Stock Exchange fell $3 on Friday to $23¼ but recovered marginally in early trading yesterday to $23$\frac{1}{16}$.

Serb officials said production would continue and that workers were guaranteed security.

**Spoiling tactics, Page 3**

## WORLD NEWS

### France in plan for greater stability of exchange rates

France proposed a three-point system of "enhanced co-operation" within the Group of Seven leading industrial countries to promote greater exchange rate stability between the dollar, the euro and yen. **Europe, Page 2**

**Deutsche in Holocaust meeting**
Rolf Breuer, chairman of Deutsche Bank, met the US lawyers suing his bank on behalf of Holocaust victims for the first time as officials prepare for talks to settle Holocaust compensation claims. **Europe, Page 2**

**Clinton prosecutors' final appeal**
Republican prosecutors made a final appeal to the Senate to convict President Bill Clinton at his impeachment trial and throw him out of office. **US, Page 10**

**Ministers dispute reform project**
Europe's finance ministers expressed widespread differences as they began negotiating the Agenda 2000 project for reform of the European Union's finances and farm and regional policies. **Europe, Page 2**

**Prospect of IMF loans for Turkey**
The International Monetary Fund held out the promise of loans for Turkey in exchange for a more ambitious anti-inflation strategy. **Europe, Page 3**

**New leaders for French union group**
A younger, more pragmatic leadership has taken over the CGT, France's largest trades union confederation, with a commitment to cross-border bargaining in Europe. **Europe, Page 3; Trade unions step up euro pressure, Page 11**

**Anwar takes stand at trial**
Anwar Ibrahim, the sacked deputy prime minister of Malaysia, finally took the stand to defend himself against charges of sexual misdeeds and related abuse of power. **Asia-Pacific, Page 6**

**Gore launches drugs strategy**
US vice-president Al Gore outlined plan to reduce the US's drug problem. **US, Page 10**

**Hitachi in probe over exports**
Hitachi Electronics, the precision instruments maker, is being investigated on suspicion of illegally exporting to China instruments that could be used to produce nuclear weapons. **Asia-Pacific, Page 6**

**Dasa to update Polish fighters**
DaimlerChrysler Aerospace of Germany is to modernise 22 MIG-29 aircraft of the Polish air force, bringing them up to the standards of the Nato alliance. **Trade, Page 4**

**Aid for poor nations at record low**
The amount industrial countries spent on development aid for poor nations fell to a record low in 1997. **International, Page 5**

**Chávez in overhaul of security force**
Hugo Chávez, Venezuela's new president, launched an overhaul of the national security force in a move to tackle corruption. **Latin America, Page 10**

**Novelist Dame Iris Murdoch dies**
Novelist and philosopher Dame Iris Murdoch died in a nursing home in Oxford, central England, aged 79. She had been suffering from Alzheimer's disease.

## BUSINESS NEWS

### BMW shares rise on speculation of takeover moves

Shares in BMW rose sharply on speculation that the German carmaker could be the motor industry's next takeover target following the removal of Bernd Pischetsrieder as chairman. Stock closed up more than 8 per cent at €726.49. **Page 17**

**Nomura Securities**, Japan's largest securities house, is imposing central control over operations in the US and Europe. Global bond trading, equity trading, investment banking and risk management will be controlled from Tokyo. **Page 16, with Lex; Observer, Page 15**

**Leading software**, internet and telecoms companies including Microsoft, Motorola, Cisco Systems, British Telecommunications and Netscape unveiled deals underscoring the move towards wireless data services. **Page 17; Lex, Page 16**

**Schering**, the German pharmaceuticals group, suffered a sharp drop in sales in Japan and south-east Asia last year, but said a good performance in Europe and the US had made up the difference. **European companies, Page 20**

**Petrobrás**, Brazil's national oil company, has signed a joint-venture agreement with a group of international oil companies opening the country's largest oil producing region to foreign investment. **Page 17; Brazil's hangover, Page 10**

**Commerzbank**, Germany's fourth largest commercial bank, is to make greater than expected risk provisions for last year, indicating that the nation's banking sector may not yet have recovered from world market turmoil. **Page 17**

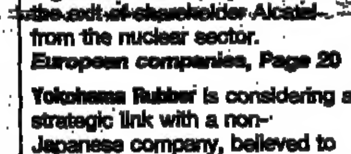
**Framatome**, the French nuclear construction and connectors company, has unveiled a re-organisation that may facilitate the exit of shareholder Alcatel from the nuclear sector. **European companies, Page 20**

**Yokohama Rubber** is considering a strategic link with a non-Japanese company, believed to be Michelin of France, after last week's alliance between Goodyear and Sumitomo. **Asia-Pacific companies, Page 21**

**Morgan Stanley Dean Witter**, the US financial services company, is expected to acquire the Spanish securities house AB Asesores in a transaction thought to be worth $300m-$400m. **European companies, Page 20**

**China** has asked foreign aircraft manufacturers to postpone deliveries for two years from 2000 in a blow for Boeing and Airbus. **Page 16; China halts crude sales to Japan, Page 5**

**Metallgesellschaft**, the German group, announced plans to acquire Gea, a company specialising in advanced machinery. **European companies, Page 20**



## WORLD MARKETS

| STOCK MARKET INDICES | | |
|---|---|---|
| **New York: Lunchtime** | | |
| Dow Jones Ind Av | 9271.03 | (-33.21) |
| NASDAQ Composite | 2391.20 | (+17.58) |
| **Europe and Far East** | | |
| CAC40 | 4154.02 | (+8.72) |
| DAX | 5027.22 | (-53.55) |
| FTSE 100 | 5934.9 | (-20.4) |
| FTSE Eurotop 300 | 1197.21 | (-7.21) |
| Nikkei | 13,992.49 | (+94.41) |
| **US Lunchtime RATES** | | |
| Federal Funds | 4.8125% | |
| 3-mth Treas Bills: Yld | 4.51% | |
| Long Bond | 95$\frac{11}{16}$ | |
| Yield | 5.33% | |
| **OTHER RATES** | | |
| UK: 3-mo Interbank | 5$\frac{7}{16}$% | (5$\frac{13}{32}$%) |
| UK: 10 yr Gilt | 136.12 | (137.00) |
| BBA Euroilbor | 3$\frac{3}{32}$ | (3$\frac{3}{32}$) |
| Germany: 10 yr Bund | 106.87 | (107.31) |
| Japan: 10 yr JGB | 97.156 | (95.868) |
| **NORTH SEA OIL (Argus)** | | |
| Brent Dated | $9.97½ | (10.235) |

| GOLD | | |
|---|---|---|
| **New York: Comex** | | |
| | $290.4 | (289.6) |
| **London:** | | |
| | $289.75 | (289.95) |
| **DOLLAR** | | |
| **New York: Lunchtime** | | |
| £ | 1.63805 | |
| € | 0.8967 | |
| SFr | 1.4155 | |
| Y | 114.755 | |
| **London:** | | |
| £ | 1.6328 | (1.6385) |
| € | 0.8890 | (0.8860) |
| SFr | 1.4211 | (1.4170) |
| Y | 113.71 | (112.95) |
| Tokyo Close | | Y 113.10 |
| **EURO (London)** | | |
| $ | 1.1249 | (1.1287) |
| £ | 0.6890 | (0.6889) |
| Y | 127.912 | (127.481) |
| SFr | 1.5985 | (1.5992) |

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Euro-zone target price €2.15. Prices in local currency as shown

| | | | | | |
|---|---|---|---|---|---|
| Bahrain | Din1.300 | Iceland | IKr265 | Oman | OR1.75 |
| Belgium | BFr90(€2.23) | Italy | L3900(€2.01) | Poland | Zl 10.00 |
| CIS | US$4.00 | Jordan | JD1.75 | Portugal | Esc320(€1.60) |
| Croatia | Kn19.00 | Kuwait | KWD0.750 | Qatar | QR13.00 |
| Denmark | DKr16.00 | Latvia | Ls1.65 | South Africa | R15 |
| Estonia | EKr34.00 | Lithuania | Lit21.00 | Spain | Pta325(€1.95) |
| Finland | FMk13.00(€2.19) | Lebanon | LBP3,500 | Sweden | SKr20.00 |
| France | FFr14.00(€2.13) | Luxembourg | LFr90(€2.23) | Switzerland | SFr3.50 |
| Gibraltar | £0.85 | Morocco | Dh18.00 | Syria | S£80.00 |
| Greece | Dr600 | Netherlands | Fl 4.80(€2.18) | Tunisia | Din2.000 |
| Hungary | Ft360 | Norway | NKr19.00 | UAE | Dh13.00 |

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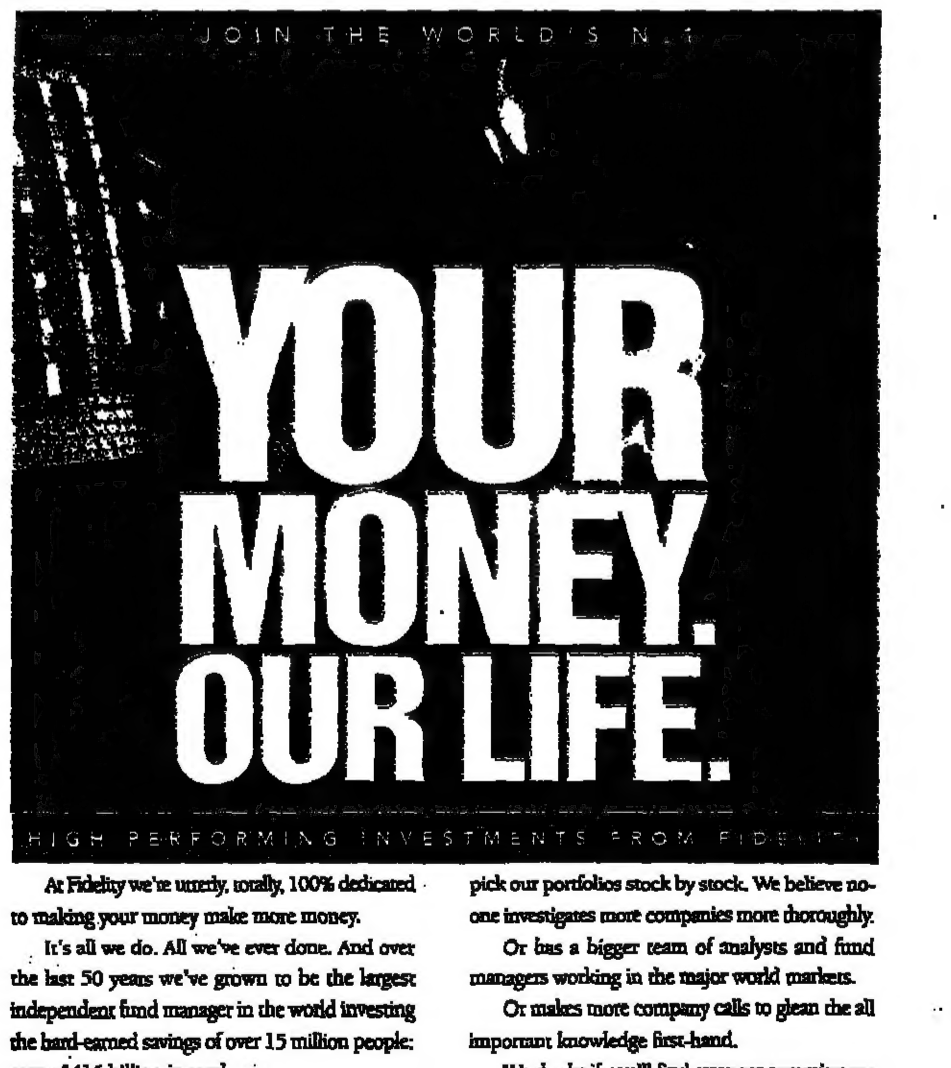


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# WORLD NEWS
## EUROPE

# France proposes forex stability plan

By Peter Norman in Brussels

France yesterday proposed a three-point system of "enhanced co-operation" within the Group of Seven leading industrial countries to promote greater exchange rate stability between the dollar, the euro and yen.

At a meeting of finance ministers from the euro 11 countries, Dominique Strauss-Kahn, French finance minister, said the plan, would involve closer surveillance of exchange rates, especially the dollar-euro rate. He also called for strengthened co-operation "on macro-economic policies and the responses to shocks to the world economy within the framework of a global policy mix", and a "framework for monetary relations with emerging countries".

Arguing it was time "to take the next step" after the creation of the euro, Mr Strauss-Kahn said the G7, by adopting a "more preventative approach", could ensure a "satisfactory degree of exchange rate stability between the dollar, euro and yen". Europe was now a "world macro-economic player on an equal footing to the US," the French minister said. "We must act together with the US and Japan to assert our rejection of any form of reciprocal benign neglect [of exchange rates] and to establish an enhanced co-operation system."

Under his proposal, the surveillance of exchange rates would be based on a periodic assessment of the levels and changes of exchange rates by the International Monetary Fund, which would form its views with reference to economic fundamentals and cyclical developments in the economies concerned.

Although Mr Strauss-Kahn's plan avoided any reference to target zones for currencies, he said the G7 and IMF should assess its operation after a few years with a view to further measures. Looking ahead to this month's G7 meeting in Bonn, he said the plan would constitute immediate and tangible progress to establishing new rules for the world economy.

Oskar Lafontaine, the German finance minister who chaired yesterday's euro 11 meeting, said not all members of the group had a chance to comment on the French scheme. Greater exchange rates stability would depend on economic convergence, he said. But Europe had "excellent experiences" with economic co-operation.

In an example of European Union economic policy co-ordination, finance ministers from the 15 nations yesterday gave qualified backing to Italy's programme for budgetary stability, which was criticised by the European Commission last week. Meeting in the "Ecofin" council, they welcomed Italian commitments to take additional measures to meet its target deficit of 1 per cent of gross domestic product in 2001, if necessary. However, the ministers recommended a lower target to accelerate the reduction of Italy's debt in relation to GDP, and urged Rome to speed up its privatisation plans.

# Deutsche chief in Holocaust meeting

By Richard Wolffe in Washington and John Authers in New York

Rolf Breuer, chairman of Deutsche Bank, met the US lawyers suing his bank on behalf of Holocaust victims for the first time yesterday as US and German officials prepare for talks to settle Holocaust compensation claims.

All sides seemed optimistic that a settlement could be reached. But lawyers representing Holocaust survivors made it clear they were seeking more than $1bn from Deutsche Bank alone, and far more from the other German banks and industrial companies for their role in the Nazi-led seizure of Jewish assets and the use of forced labour in concentration camps.

Diplomatic officials close to the talks described yesterday's meetings at the State Department in Washington as an exercise in "trust-building". They said the discussions were at a "very preliminary" stage.

Threats to block Deutsche's proposed acquisition of Bankers Trust, planned to be completed by the end of June, mean the class actions must be resolved quickly. The bank also faces threats of boycotts in the US.

German bankers seem keen to reach a settlement through governmental talks rather than litigation.

Officials from both governments discussed details of a German compensation fund, which would be supervised by the government and receive contributions from industrial groups.

Other sources close to the negotiations said Mr Breuer's presence was a signal that Deutsche Bank had decided to attempt to broker its own deal to settle the class actions against them rather than rely on being part of the umbrella fund.

Edward Fagan, who leads one of the two groups of lawyers representing plaintiffs, said Deutsche would be foolish to make an opening offer of as little as $1bn. He expects a final settlement to be "a multiple of billions".

He said the effective deadline was the end of March.

Bodo Hombach, the German chancellery minister, has told Stuart Eizenstat, US under-secretary of state, that the German government is keen to work through a single settlement channel rather than a lengthy and fragmented legal process.

A spokesman for Mr Hombach said the government wanted to protect German businesses from "unjustified attacks and claims, some of which even aim at destroying whole companies".

# Details of EU reforms in dispute

By Peter Norman

Europe's economics and finance ministers yesterday got to grips with the details of negotiating the ambitious Agenda 2000 project for reform of the European Union's finances, farm and regional policies and immediately ran into difficulties.

The German EU presidency's hopes that an "in depth discussion on the financial aspects" of the negotiation yesterday would mark a clear step forward towards a solution at the special EU summit in Berlin at the end of March were frustrated. The talks revealed widespread differences over how to define and achieve the Agenda 2000 goals.

Ministers emerged from the meeting with wildly different assessments of progress reflecting their own national interests. Gordon Brown, the UK chancellor, insisted there was growing support for "stabilisation", or freezing of the EU budget in real terms at around €85bn ($96bn) for the period between 2000 and 2006, as a way of reforming the EU's finances. Such stabilisation, in the UK view, would obviate any need to change its rebate negotiated in the 1980s. But, according to Oskar Lafontaine, the German finance minister, who chaired the meeting, "most delegations favoured modifying the UK budget rebate".

Wolfgang Rüttensstorfer, the Austrian junior finance minister, predicted the negotiations were more likely to end with a compromise falling short of a real spending freeze.

That would mean net contributors, such as Austria, the Netherlands, Sweden and Germany, should benefit from a generalised corrective mechanism similar to the UK rebate, he said.

French delegates, meanwhile, lamented the absence of any substantial progress on details at yesterday's talks and accused Mr Lafontaine of "wishful thinking" when he delivered a positive appraisal of the meeting's achievements at the end of the ministers' discussions.

"Each minister defended his own position," noted Dominique Strauss-Kahn, the French finance minister.

Agreement on the Agenda in March "would need a small miracle", said Gerrit Zalm, the Dutch finance minister. But miracles could not be ruled out: "The Dutch always score in the last minute when they play soccer," he joked.

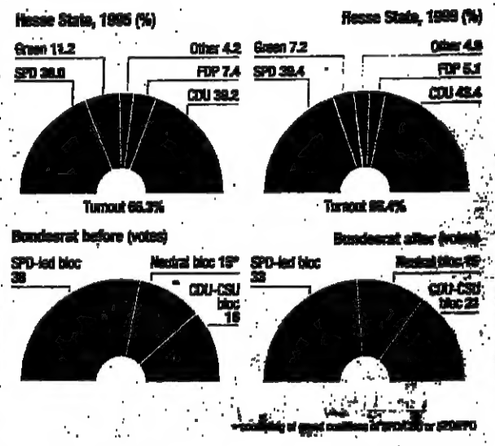
Yesterday's discussions in the "Ecofin" council focused on the EU's two biggest budgetary items: agriculture and the structural funds for Europe's poorer regions. Germany sought support for a yearly ceiling on agricultural spending based on the planned 1999 level of €40.5bn. Debate on the future allocation to the structural funds centred on proposals ranging from €200bn to €240bn for the entire period from 2000 to 2006. The discussion on agriculture exposed differences on spending and costs of reform of the common agricultural policy.

# Bonn's coalition shies as balloon bursts

The CDU's success in the Hesse state poll has startled the SPD and Greens, writes **Ralph Atkins**

Germany: changing faces

Oskar Lafontaine, SPD chairman



Roland Koch, CDU state premier-elect

Gerhard Schröder, Germany's chancellor, flew home yesterday from King Hussein's funeral in Jordan to a changed political landscape.

Barely 100 days after taking power in Bonn at the head of a centre-left coalition, Mr Schröder has suffered a sharp defeat in an important regional poll. The surprise defeat on Sunday night for his Social Democratic party (SPD) and its Green party allies in state elections in Hesse, central Germany, will have repercussions across the federal republic.

First, Mr Schröder's administration no longer commands a majority in the Bundesrat, the upper house of parliament representing the 16 *Länder*, or federal states. To push through legislation, it will have to work more closely with the opposition Christian Democratic Union, the party it defeated in last September's federal election. The government's ability to project a clear profile, already affected by arguments and policy confusions, has been blurred further.

The first candidate for compromise is likely to be its planned citizenship bill, which would have allowed dual nationality for many of the 7m foreigners living in Germany. The CDU mobilised its supporters in Hesse by focusing on opposing the measure and saw its vote increased by more than 4 percentage points.

But other important legislation could be affected, including tax reforms planned by Oskar Lafontaine, finance minister (although measures already in the pipeline can perhaps be pushed through before the new CDU-led government in Hesse is formed). Legislation paving the way for shutting Germany's 19 atomic power stations – an issue fundamental to the Greens – may also have to fight its way through the Bundesrat.

Second, tensions within Mr Schröder's coalition have sharpened. The Green leadership's reaction to the party's heavy loss on Sunday was one of agitation; Gunda Röstel, party spokesman, said the Greens required a "broader profile" across a range of policies. But the SPD, which increased its vote in Hesse slightly, was also holding its head high. Ottmar Schreiner, SPD general secretary, insisted "classic SPD themes" had to play a greater role in future.

The sense of bitterness was all the greater because the defeat on Sunday was unexpected. There was a confidence in the SPD and Green camps that the opposition was alienating voters with its signature campaign, spearheaded by the Hesse CDU, against dual nationality. In spite of the blunders by the Bonn government in its first 100 days in office, opinion polls pointed to a vindication for "red-green" politics in Hesse; nationally the SPD had picked up a percentage point or two since September.

Now Roland Koch, the boyish 40-year-old CDU candidate for the Hesse premiership, has pricked what he described as "red-green arrogance" with a provocative campaign symbolising a lurch to the right by the CDU (encouraged by Edmund Stoiber, the leader of the Christian Social Union, the CDU's Bavarian sister party). Mr Koch breathed life into an opposition recovering from a post-election depression. Most first-time voters in Hesse turned to the CDU. The SPD will look with a nervous eye at the six state elections still left this year, as well as June's European elections.

How dangerous is Mr Schröder's predicament? There is a slight sense of *déjà vu*. In the last years of government under chancellor Helmut Kohl, the CDU was repeatedly frustrated by SPD blocking tactics in the Bundesrat – led by Mr Lafontaine, then prime minister of Saarland as well as SPD chairman. Most dramatically, reform of Germany's complex tax system was repeatedly shelved. At that time, it was the SPD that eschewed a traditional consensus approach; now perhaps an emboldened, right-wing CDU will take a similar line.

But Mr Schröder's position today is still stronger than Mr Kohl's was. For a start, the CDU does not have a majority in the Bundesrat either – the balance is held by "neutral" states ruled by the CDU and SPD jointly. On a personal level, the chancellor's standing is relatively unaffected by the Hesse poll. The issues on which Hesse was lost – dual nationality and the publicity fall-out from arguments over nuclear power – were not central to his philosophy.

It might be argued that Mr Lafontaine has been hit worse. After September's federal election, the finance minister boasted his tax plans were backed by most *Länder*. That claim was already looking hollow after SPD states objected on a number of fronts. Now Mr Lafontaine faces pushing his reforms through a still more hostile chamber.

For Mr Schröder, the new *Realpolitik* is not without advantages. The chancellor is less comfortable than colleagues in coalition with the Greens. Before election he correctly foresaw problems would lie not on foreign but domestic issues. By instinct, he seeks pragmatic compromises, a rebuilding of traditional post-war German social consensus around a "new political centre".

With the evidence from Hesse as ammunition, Mr Schröder could argue to his coalition that it can ill afford to alienate possible supporters in the future. On economic policy, a framework is already there; the centrepiece of Mr Schröder's campaign last autumn was his "alliance for jobs", bringing together unions, the state and employers.

Such a consensus-oriented strategy would not be without risks. The "alliance for jobs" is about details of policy; there is no overriding concept to define a government agenda for the years ahead. The danger is of muddling on.

In addition, Mr Schröder still needs the radical-minded Greens for a majority in the Bundestag, the lower house of parliament. But the Greens are smarting from Hesse. For them it would be better to remain in office, even if the partnership is one of mutual distrust, than to wither in the wilderness.

## NEWS DIGEST

### COMMISSIONERS SPEAK OUT

### Prodi suffers setback in European Commission bid

Romano Prodi's hopes of succeeding to the presidency of the European Commission suffered a setback yesterday when leading Italian figures said the former prime minister had damaged his chances by launching a comeback in domestic politics.

Lamberto Dini, foreign minister, and Emma Bonino, one of Italy's European Union commissioners, both said Prodi's chances had dimmed after his launch of a new party at the end of last week.

Mr Dini said that Mr Prodi had created a party "antagonistic" to the other parties of the Italian centre-left, adding this "clearly reduces – if not cancels out – his chances of becoming president of the European Commission".

Ms Bonino said that Mr Prodi's candidacy for the post had "pretty much failed". She said that if an individual wanted a job of that kind, "it's better that they behave or operate in a different way".

Mr Prodi has made no secret that he would like to be considered to replace Jacques Santer as Commission president when Mr Santer's mandate expires at the end of this year. Mr Prodi says his aim is not incompatible with pursuing domestic ambitions and his creation of a new party, Democrats for the Olive Tree. **James Blitz, Rome**

### NATO NUCLEAR STRATEGY

### US sees accord with Bonn

William Cohen, the US defence secretary, said yesterday that the US had ironed out differences with Germany's centre-left government over Nato's nuclear strategy.

Mr Cohen said he was sure after an annual security conference in Munich last weekend that Chancellor Gerhard Schröder's "red-green" coalition government wanted a full role in the North Atlantic alliance. "I left Munich with a great sense of optimism, not only about Nato but also Germany's role within Nato," Mr Cohen said after meeting Rudolf Scharping, the German defence minister, in Bonn.

Relations were strained last autumn after the Greens, the minority partner in Mr Schröder's government, questioned whether Nato should still rely on the first use of nuclear weapons.

Mr Schröder said in Munich he would continue to push the idea of "no first use" ahead of Nato's 50th anniversary summit in April. But Mr Scharping conceded this had little chance of becoming Nato policy. **Reuters, Bonn**

### POLISH AGRICULTURE

### Farmers sign deal on prices

Polish farmers' protests appeared to be petering out yesterday after leaders of two of the country's three farming organisations signed an agreement with the government, guaranteeing higher pork prices and immunity for farmers who have been blocking roads for the past two weeks.

Andrzej Lepper, the leader of the third group, the militant Self Defence farmers union, refused to accept the deal, which adds 20 per cent to the present pork price of 2.60 zlotys (70 cents) per kilo.

"This agreement has been acknowledged by us, but not signed by us. . . It is good only for the waste paper basket," he said. "It does not fulfil a single condition we put forward."

The government has also said it would act to increase dairy prices. Mr Lepper called on his supporters to put up new road blocks but the appeal was heeded in no more than a dozen places. **Christopher Bobinski, Warsaw**

### EUROPEAN PARLIAMENT

### Soares may seek presidency

Mário Soares, Portugal's leading elder statesman, is expected to become a candidate for the presidency of the European Parliament after agreeing to stand as the main candidate for his country's Socialist party in the European election in June.

Mr Soares, 74, a former prime minister and president of Portugal from 1985 to 1995, is a committed federalist who believes in a "United States of Europe". He said he had accepted the invitation of António Guterres, Portugal's Socialist prime minister, to stand in the election to defend "the need to build a political and social Europe to complete the economic and monetary union that already exists".

Mr Soares is seen as a strong contender for the presidency of the European Parliament if the election is won by Socialist and Social Democrat parties. **Peter Wise, Lisbon**

### SPANISH UNEMPLOYMENT

### Jobless rate falls

Spain's official unemployment rate, still the highest in the European Union, fell to 18.2 per cent in the final quarter of last year compared with 20.3 per cent a year earlier, according to the national statistics institute.

The total number of jobless fell by almost 330,000 over the year and 72,000 from the previous quarter to 2.96m – the first time for six years the figure had dropped below the 3m mark. Cristóbal Montoro, state secretary for the economy in the centre-right government, described it as "the best year for job creation in the history of Spanish democracy". The figures showed a net increase of around 430,000 jobs during the year. **David White, Madrid**

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**INTEREST RATES** DESPITE PRESSURE FOR CUTS, THE ECB TAKES TIME TO STUDY TRENDS

# Bank weighs all the odds

ECB watch

By Wolfgang Münchau in Frankfurt

Inflation is heading towards zero. The unemployment rate is still close to 11 per cent. Business confidence is sagging and the manufacturing sector is contracting. So why does the European Central Bank not cut interest rates?

The ECB has announced on several occasions that the short-term benchmark rate will remain at 3 per cent "for the foreseeable future" – a time frame it does not specify. Most ECB watchers still expect a rate cut in the first half of this year. The first realistic date to watch out for is March 4, when the ECB is scheduled to hold its next news conference.

In his news conference last week, Wim Duisenberg, ECB president, talked about conflicting economic signals, such as the gap between consumer confidence, running at an all-time high, and business confidence, which is extremely depressed. The ECB is also intrigued about growing levels of credit to the private sector.

There are signs that some of the negative trends, especially the fall in business confidence, may have bottomed out in January. Mr Duisenberg said the ECB needed to conduct "further thorough analysis and very close monitoring of underlying trends" before it decided whether to cut interest rates.

But the question of whether to cut rates or to leave them is not a make-or-break issue for the euro-zone economy, since monetary conditions are by no means overly tight. Real short-term interest rates – actual rates adjusted by expectations of future inflation – are running at 2.3 per cent, according to the ECB, while real long-term rates are 3 per cent. The question is not whether these rates are fundamentally wrong, but whether they need some fine-tuning.

The best argument for a rate cut is the fall in the headline rate of the harmonised index of consumer prices, which increased at an annual rate of only 0.8 per cent in December (after 0.9 per cent in November). The extreme low level of inflation is largely because of falling energy prices. Core inflation, excluding energy and food, is 1.5 per cent, while service sector inflation remains steady at about 2 per cent.

The ECB also appears concerned about the wage round in the German engineering sector, which could set a trend for other European industries. Mr Duisenberg has warned against a rise in cyclically adjusted budget deficits, which is likely to happen in several European countries this year.

Economic indicators for euro-11 countries

| | Dec 1998 | Nov 1998 | Oct 98 | Sep 98 | Aug 98 | Jul 98 | 97 | 96 |
|---|---|---|---|---|---|---|---|---|
| Inflation (annual % change) | 0.8 | 0.9 | 1.0 | 1.0 | 1.2 | 1.4 | 1.6† | 2.2† |
| Unemployment (%) | 10.8 | 10.8 | 10.8 | 10.9 | 11.0 | 11.0 | 11.6 | 11.6 |
| Trade (Ecu bn) | | | | | | | | |
| Exports | n/a | n/a | 68.7 | 65.6 | 58.1 | 72.4 | 780.8 | 667.7 |
| Imports | n/a | n/a | 61.1 | 60.3 | 49.6 | 58.9 | 671.4 | 594.2 |
| Trade balance | n/a | n/a | 7.5 | 5.2 | 8.5 | 13.5 | 89.4 | 73.5 |
| Current account (Ecu bn) | Q3 1998 | | Q2 98 | | Q1 98 | | Q4 97 | Q3 97 |
| Current account balance | 21.5 | | 25.0 | | 12.4 | | 28.8 | 28.0 |
| As % of GDP | 1.5 | | 1.7 | | 0.9 | | 2.0 | 1.9 |
| Industrial production (%) (3 mo over previous 3 mo) | Sep-Nov/ Jun-Aug | | Aug-Oct/ May-Jul | | Jul-Sep/ Apr-Jun | | Jun-Aug/ Mar-May | 1997 / 1996 |
| | 0.3 | | 0.5 | | 0.6 | | 0.7 | 4.1†† / 8.0†† |
| GDP growth (%) | Q3 1998 | | Q2 98 | | Q1 98 | | Q4 97 | 97 / 96 |
| Over same quarter last year | 2.7 | | 2.9 | | 3.7 | | 3.1 | 2.5 / 1.5 |
| Money supply | Dec 1998 | | Nov 1998 | | Oct 98 | | Sep 98 | Aug 98 / Jul 98 |
| M3 Annual growth rate (%) | 4.5 | | 4.7 | | 5.0 | | 4.5 | 4.5 / 5.0 |

* provisional ** estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly series †† annual % change
Source: Eurostat

But even the hardliners on the board of the ECB will ultimately find it difficult to argue that the balance of risks in the euro-zone economy would be on the side of higher inflation rather than lower growth, if current trends were to continue.

Meanwhile, the political pressure for cuts in interest rates will become more intense. The German government appears increasingly concerned about domestic growth this year and is already stepping up pressure on the ECB to cut rates.

On balance, a rate cut of between 0.25 and 0.5 percentage points in the first half of this year still remains the most likely scenario.

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# Access fee irks German phone groups

By Frederick Studemann in Bonn

German private sector telecommunications operators protested yesterday after industry regulators set a relatively high access fee for companies using local networks owned by Deutsche Telekom, the former monopolist.

Rivals to Deutsche Telekom said the regulator's decision to allow the partially privatised company to charge DM25.40 (€13, $14.60) per month for local access would stifle competition in one of the last quasi-monopolies in the market, which was liberalised last year.

Competitors, who have successfully hacked away at Deutsche Telekom's share of the long-distance call market, had pressed for a monthly charge of between DM15 and DM20 for access to the "last mile" of the network leading into customers' homes. Deutsche Telekom most recently demanded a monthly fee of DM37.30.

Alongside the monthly charge, which will run until the end of March 2001, Deutsche Telekom can charge an additional one-off fee for a telephone connection. The additional fees range from DM191.64 to DM337.17.

Yesterday's decision was interpreted by analysts as benefiting Deutsche Telekom. Werner Müller, the economics minister who oversees the regulatory authority, had backed Deutsche Telekom's campaign for higher interconnection fees.

Deutsche Telekom has consistently complained that low interconnection rates for long-distance calls have meant effectively subsidising competitors, who pay a relatively small charge of 2.7 pfennigs per minute to use its networks and then grab market share through undercutting. The company, which is estimated to have lost as much as 36 per cent of the long distance market, is seeking to challenge the long distance interconnection charge in the courts.

The regulatory authority is thought to have become more sympathetic to such considerations. Arne Börnsen, vice-president, also played down the consequences of higher local access charges. He said he did not expect competition in the local market to be as focused on price as in the long-distance segment, where a price war has driven costs down by some 70 per cent. He said the decision would spur market entrants to invest in infrastructure and compete on the range and quality of services.

But Harald Stöber, chairman of Mannesmann Arcor, a joint venture between industrial group Mannesmann and Deutsche Bahn, the federal rail company, said the decision would "protect Deutsche Telekom's monopoly position in the local network". He said his company would explore the possibility of challenging the decision in the courts.

James Golob, telecoms analyst at Deutsche Morgan Grenfell in London, said the regulator had created an additional problem by setting a local access wholesale price to competitors which is 18 per cent higher that Deutsche Telekom's monthly line rental charge of DM21.39.

# Italians sock it to world's hosiery makers

By Peter Marsh in Brescia

Along with the normal executive trinkets in the opulent office of 87-year-old Francesco Lonati, one of Italy's most powerful industrialists, sits a pile of socks – not pairs of socks but odd ones of different styles and colours.

This is not so mysterious as it sounds since a large part of the time of Mr Lonati, founder and chairman of the Lonati steel-to-electronics business empire, is taken up in designing new types of sock making machines – a field in which the family-controlled Lonati company has 75 per cent of the world market.

Interviewed this week in the company's headquarters in Brescia, northern Italy, Mr Lonati had good reason to be smiling.

His company has just finished extensive, top secret trials of a machine that performs the equivalent in sock-making to breaking the sound barriers in aerospace – producing socks in high volumes in a single operation, rather than requiring a separate step to stitch up the toes.

"The new machine will revolutionise sock-making," said Ettore Lonati, vice-president of the group and one of the elder Mr Lonati's three sons who help him to run the company which last year had revenues of L1,800bn (about $1bn) – about a third of which comes from textile production machines. As well as interests in sock production systems, the group makes spinning machines and also controls roughly 90 per cent of the market in machines similar to sock machines for making women's tights.

Under the watchful eye of the elder Mr Lonati, a team of technicians at the company started work five years ago on the world's first "closed toe" sock making machines – systems which have defied the best brains in the industry since mechanised sock production started 150 years ago.

In a project which has cost $3m, the team has used a mixture of mechanical and electronic principles to put together a complete sock in one operation including the vital stitching of the toe. This offers considerable savings to the world's sock manufacturers which normally require a separate set of machines for this job and extra labour.

The world market in sock-making machines is estimated at $150m a year, while textile makers around the world turn out every year 7bn pairs of socks worth $10bn at retail prices.

So far, Lonati has sold 200 of its new machines at about $27,000 each to customers around the world and it expects orders for another 2,000 by the end of this year.

Although the machines, which can turn out up to 800 individual socks a day are roughly 30 per cent dearer than previous generations of equipment, they should prove worthwhile to customers because of the efficiency savings, according to Ettore Lonati – one of 13 family members who help to manage the company.

But the biggest pleasure in the new machines this week was being displayed by the patriarch of the industry, Francesco Lonati, who set up his business in 1946 as a penniless mechanic and says he has no thought of retiring.

"My father says running the business keeps his mind young," says Ettore.

# France's largest union group takes on a younger image

By Robert Graham in Paris

A younger, more pragmatic leadership has taken over the CGT, France's largest trade union confederation, with a commitment to cross-border bargaining in Europe.

The confederation's new leader, Bernard Thibault, 40, was elected at the end of the CGT's 48th congress, staged last week in Strasbourg, when he also pledged to work for greater unity within France's fractured trade union movement.

The shift in stance by the CGT was cautiously welcomed by the Medef, the employers' federation, which has long viewed the confederation as the most confrontational of trade unions in France. The CGT's ideological position has remained closely wedded to the Communist party, and it has seemed increasingly out of step with the altered employment patterns and pay bargaining that have followed wider changes in France and the global economy.

Membership has fallen to 645,000 from over 2m in the early seventies. Of these members, almost 150,000 are retired workers. The union continues to draw its bargaining power from its stronghold in the public sector.

The main challenge has come from the more moderate CFDT, which has successfully recruited new members in the expanding service sector and been unafraid of striking deals with management. The CFDT, headed by Nicole Notat, now accounts for 25 per cent of union membership against the CGT's 33 per cent. Force Ouvrière, the other main group, hovers around 20 per cent.

Mr Thibault came to prominence in 1995, when he played a leading role in a successful strike against the then conservative government's plans to restructure the rail sector.

He has insisted on a big rejuvenation of the union's executive, with more women present.

The direct links with the Communist party have also been cut even though the party and the union remain ideological partners.

The commitment to pragmatism by Mr Thibault also reflects moderation shown by Robert Hue, the Communist leader, who has four ministers in France's socialist-led government and has played down his opposition to European economic integration – which was previously attacked as being a capitalist enterprise.

But the CGT, like the Communist party, is divided, with an important minority hostile to abandoning the struggle against capitalism.

As a signal of his desire to forge greater unity Mr Thibault met Ms Notat at the Congress. She had once been criticised by the CGT for refusing to back the 1995 rail strike.

# Turkey urged to bite the bullet on inflation

By Leyla Boulton in Ankara

The International Monetary Fund yesterday held out the promise of loans for Turkey in exchange for a more ambitious anti-inflation strategy once elections scheduled for April 18 are out of the way.

Calling for "early action" to tackle high real domestic interest rates which were "damaging the real economy", the Fund said it looked forward to designing a "more ambitious and comprehensive disinflation strategy" with the Turkish authorities, which would be implemented after the elections.

But it suggested the best the caretaker administration of Bulent Ecevit, the prime minister, could do in the meantime was to safeguard gains made under an existing IMF-monitored programme, which carries no financial support. Turkish officials have made clear that they would welcome IMF loans to help them convert expensive domestic debt into cheaper longer-term loans denominated in foreign currencies.

A statement issued at the conclusion of a two-week IMF staff visit to Turkey said the country had successfully weathered the shocks of last year's emerging markets crises and had made impressive progress in reducing chronically high inflation. Year on year consumer price inflation last month slowed to about 66 per cent from 102 per cent.

It said the stabilisation of reserves at a comfortable level, together with a strong current account position, provided "reassurance that the external position will remain viable in the period ahead".

The statement provided a shot in the arm for Turkish efforts to boost the confidence of the international financial community at a time when the country is wrestling with an economic slowdown exacerbated by a squeeze on cheap foreign loans.

The IMF reported that GNP growth slowed to 3.2 per cent last year down from 7 per cent in 1997.

But the Fund also criticised Turkey's failure to sustain structural reforms required to address the root causes of high inflation into the second half of 1998.

Changes which Turkey had failed to deliver under the IMF-monitored programme included a "quantum jump in privatisation" which generated only $1bn as opposed to $2bn envisaged for last year.

Sell-offs ground to a halt under the combined weight of legal obstacles and the corruption scandal which brought down the reformist administration of Mesut Yilmaz, the former prime minister.

# Ukraine banks in fear of a run

By Charles Clover in Kiev

Ukrainian domestic banks yesterday warned that a plan by their finance ministry to reschedule 200m hryvnia ($51m) of maturing treasury bills could cause a run on the country's banks.

"The conversion order was approved without consulting the banks, without taking into account their liquidity level, and it threatens to cause panic in the financial market," said the Association of Ukrainian Banks yesterday.

The finance ministry had told banks last week that it would redeem government treasury bills maturing in February in several instalments between May and September of this year. The ministry said bank representatives "had offered no objections except several technical ones".

Treasury bills make up virtually all of the short-term liquid assets of the Ukrainian banking system. Last August, Russia's decision to delay payment on all maturing treasuries sparked a run on the country's banks. Ukraine's decision until now to make reschedulings "voluntary" is credited as the reason behind the continued solvency of the country's banking system and the relatively mild fall of the hryvnia compared with the weakness of the Russian rouble since August.

Ukraine's current financial crunch is partially the result of its failure to meet the conditions of a $2.2bn, 3-year loan from the International Monetary Fund, currently the only source of foreign credit to the country. Since November, three monthly tranches of the loan have been frozen.

**KOSOVO** SERBS AND ALBANIANS IN SPOILING TACTICS

# Cook, Vedrine seek to keep talks going

By David Buchan in Rambouillet and Guy Dinmore in Belgrade

The French and British foreign ministers will today intervene in the Kosovo peace talks in an attempt to end efforts by both the Serb and Albanian sides to derail the negotiations.

Hubert Vedrine, the French foreign secretary, yesterday travelled back to the talks, in the château of Rambouillet, and today will be joined by Robin Cook, his UK counterpart.

The two ministers will seek to step up the drive for a fully fledged peace settlement in the Serbian province within the next 10 days.

Mr Vedrine said the negotiations were proving tough.

"I cannot be optimistic because it's very complicated and there are no easy issues in these discussions," he said. Officially, the foreign ministers' intervention in the talks, which only started three days ago, is aimed at "lending weight to the negotiating effort and to monitor progress so far".

Privately, officials are dismayed at early spoiling tactics by both sides. The Albanian representatives are pushing the idea of a formal ceasefire in Kosovo if it is backed by Nato peacekeeping troops. Their prime interest appears to be to get Nato troops into Kosovo, a goal for which they would use the minimal achievement of a ceasefire as a pretext.

But Nato ministers and commanders believe that a ceasefire without an accompanying deal on Kosovo autonomy would not hold. They say they would not send their troops into a renewed conflict.

The 13-strong Kosovo Albanian team has also named Hasim Thaci, a leader of the separatist Kosovo Liberation Army (KLA), as their chief negotiator – a move that bodes ill for the more moderate members of the delegation.

RTS, Serbia's state-run television, said the Serbian delegation had proposed that the two parties first sign an agreement accepting 10 basic principles set out by the mediators, the most important being the "sovereignty and territorial integrity of Serbia and Yugoslavia". This position undermines the US-proposed peace plan that makes no reference to Kosovo remaining part of the republic of Serbia.

In Madrid, Javier Solana, Nato secretary-general, was more upbeat, saying the latest information from the talks "could not be qualified as bad".

He said international pressure for an agreement would continue "with maximum intensity".

William Cohen, US defence secretary, reiterated in Bonn that the US would not commit troops to a Kosovo peacekeeping force unless there was a real agreement. "None of us would contemplate what we call a non-permissive environment, namely we would be there to keep peace, not to make peace."

Robin Cook, left, and Hubert Vedrine: intervention in Kosovo talks

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Robert S. Hamada, Dean, Graduate School of Business, The University of Chicago.

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**OIL TRADE** LOW PRICES FORCE BEIJING TO BREACH AGREEMENT WITH JAPANESE BUYERS

# China halts crude sales to Japan

By James Kynge in Beijing

Low international oil prices have prompted China to suspend exports of crude oil to Japan from the vast Daqing field, breaching an agreement with Japanese buyers and raising doubts over Chinese oil exports to other destinations.

An official with the state-run China National United Oil Corp (Chinaoil), the sole agent for exports of Daqing crude to Japan, said yesterday there were no plans to deliver February shipments to Japanese buyers. He declined to provide an outlook for March and later.

"This is a problem in government policy. We will have to see whether it can be resolved later," said the official, who declined to provide any further explanation.

Japanese buyers of the low-sulphur crude, which is used by power stations, had requested about 580,000 tonnes of Daqing, or about 4.2m barrels, in February. Under a long-term agreement between Japan and China, Chinaoil is committed to ship around 6m tonnes of Daqing crude a year.

Japanese oil industry analysts said the disruption was not expected to cause significant dislocation among users, which are exploring alternative sources of low-sulphur crude such as Minas from Indonesia. Minas, however, is more expensive.

The breach of the long-term Japan-China trade agreement on Daqing oil could undermine the faith that China's trade partners place in such agreements, analysts said. However, legal action by the Japanese against Chinaoil was unlikely, the analysts added.

The episode highlights some of the fundamental distortions in China's energy sector. Domestic manufacturers have, in effect, been subsidising China's inefficient crude oil producers since international oil prices fell below China's domestic prices last year.

A flood of crude import smuggling driven by the needs of hard-pressed industries to cut costs has since been curbed by a nationwide anti-smuggling campaign. The result has been that the profits of local oil producers have begun to rise again. But the margins of manufacturers, forced to buy oil at higher than international prices, have been hit.

The decision to halt Daqing exports to Japan springs partly from the fact that domestic demand has grown recently following the relative success of the anti-smuggling campaign. Another important factor has been that, in many cases, the cost of producing Chinese crude is higher than the international price.

Unless international prices a declining trend in crude exports may gather pace this year. Last year, China exported 15.6m tonnes of crude, down 21 per cent from 1997.

# Cuban telecom threat tricky problem for US

By Pascal Fletcher in Havana

Cuba's repeated threats to suspend telephone services with the US if US telecom companies do not make scheduled phone call revenue payments have posed a tricky political problem for the US government.

US State Department officials say they are taking "very seriously" public and private warnings by the Cuban government that bilateral phone links will be cancelled if the payments are not forthcoming.

The problem has arisen out of an ongoing court case in Florida in which relatives of four Cuban-American pilots killed when their two small aircraft were shot down by a Cuban MiG fighter in early 1996 are seeking compensation for the deaths. They have sought to collect this from the millions of dollars paid each year by US phone companies to Cuba for telecommunications services.

Since direct phone links became operative in late 1994, several million calls are made each year.

This traffic earns Havana well over $50m a year, paid by US telephone companies through special licences granted under the existing US embargo against Cuba.

The US government, which condemned the 1996 aircraft downings downs as murder and tightened economic sanctions against communist-ruled Cuba as a result, is opposing the legal attempts by the dead pilots' relatives to seize the Cuban telephone fee assets.

"The US government believes that garnishment (seizure) of the payments could have serious implications for US foreign policy and for humanitarian interests with respect to the Cuban people and the Cuban-American community," a US official said.

Senior US State Department and Treasury officials have testified to the Florida court that the phone services provided by more than half a dozen US companies, including AT&T and MCI WorldCom, to Cuba's phone company ETECSA are a key part of Washington's two-track policy towards Cuba. This policy seeks to combine pressuring the Cuban government with encouraging humanitarian "people to people" contacts, for example through telephone links.

Cuba is insisting the telephone fees be paid regardless of the court case. "It's a commercial matter," a foreign ministry spokesman said, adding the "limit date" for the payments had been reached.

● Cuba has authorised the first completely foreign-owned investment on its national territory, although the completed project, a $15m diesel electric power station, will be transferred back to Cuban ownership after 4½ years.

The build, own, operate, transfer contract was awarded to a Panama-based company with Lebanese capital, Genpower Cuba.

Genpower, using German and Israeli equipment, will construct the small power plant on the Isle of Youth, south of the western part of Cuba's main island, and will sell electricity in hard currency to the Cuban state power company.

Cuba's 1995 foreign investment law allows 100 per cent foreign ownership in principle but the Cuban government had so far authorised only a small number of overseas investors to hold a share above 50 per cent in individual projects.

Usually the foreign share granted in Cuban joint-ventures is 49 per cent.

# US investors head for Europe

By Shilpa Mohan in Washington

Defying conventional economic wisdom, US manufacturers last year allocated 65 per cent of their foreign direct investment (FDI) to high-wage and mature labour markets in preference to low-wage developing countries.

The finding, released in a research report by Deloitte Consulting, the international management consultancy, reported that Europe remained the largest recipient of US manufacturing FDI, receiving a total of $16.4bn.

The UK received the largest share of US investment in Europe with allocations amounting to $5.5bn.

"Reducing currency risks and easier cross-border transactions facilitated by the introduction of the euro as well as further deregulation of industry will continue to attract US manufacturers to invest in the region," said Michael Fradette, practice director of manufacturing in the Americas at Deloitte Consulting.

The stability of high-wage markets attracted many businesses in light of the frequent volatility of developing markets, particularly in Asia, last year. Well developed infrastructure, undeveloped niche markets, and skilled labour were other key elements that made high-wage markets a prime choice for US multinationals expanding abroad.

Geography appeared to be a key component in US multinational decision-making. Canada, the second largest recipient of US manufacturing investment, captured $4.2bn of FDI, tripling the amount of foreign direct investment compared with 1997.

To the south, Mexico, a popular emerging market, captured $2.9bn, the first increase in its US direct investment since 1994.

Despite the turmoil of the Asian market last year, not all Asian markets experienced a withdrawal of US foreign direct investments.

Singapore captured the largest share of US investment in Asia with roughly $2.2bn, outdoing China, Hong Kong, South Korea, Taiwan, Australia and New Zealand which all experienced a slight growth in US investment by the beginning of last year.

*www.dc.com/research/publications/keytrend.html*

# Dasa to update Polish fighters

By Alexander Nicoll, Defence Correspondent

DaimlerChrysler Aerospace (Dasa) of Germany is to modernise 22 MiG-29 aircraft of the Polish air force, bringing them up to the standards of the Nato alliance which Poland joins next year.

A contract signed in Warsaw yesterday, believed to be worth nearly DM100m (€51m, $56m), will enable Poland to delay buying expensive new aircraft as replacements for the Russian-made MiGs, which are to be given new electronics and cockpit displays.

Poland, like Hungary and the Czech Republic which also enter Nato next year, needs cost-effective ways to bring its military in line with western standards – although existing Nato members have made clear they do not expect new members to embark on spending sprees they cannot afford.

The Polish order indicates a promising market for Dasa, which has modernised 23 MiG-29s inherited by the Luftwaffe from East Germany at Germany's reunification. Dasa is in talks with Hungary, Romania, Bulgaria and Slovakia.

Industry experts said MiGs were designed by Soviet engineers to have a much shorter flying life than western military aircraft, because maintenance work was cheap.

The western approach is to keep extensive maintenance to a minimum. The upgraded German MiGs undergo extensive checks every 1,300 flying hours instead of every 800 previously. Experts said the Polish MiGs, although fairly old, were being flown for only about 50 hours a year and could have their lives extended up to 2010.

Dasa said it and the German ministry of defence had suggested a co-operation programme with all European countries using the MiG-29 to seek solutions to logistical and technical problems.

## NEWS DIGEST

### CHINESE TRADE

## Beijing considers new export insurance body

China is considering establishing a separate export insurance institution in order to stimulate overseas sales. The new body would complement existing export insurance provided by the Export and Import Bank of China (Eximbank) and the People's Insurance Company of China (PICC), which can offer only limited support for Chinese exporters, according to press reports. A PICC executive was quoted as saying that the state-run company was a profit-seeking organisation that could not offer a suitable environment for long-term export credit insurance. Li Jianzhi, deputy manager of the Eximbank's export credit insurance department, also suggested the bank's structure was unsuitable for longer term export credit insurance.

The creation of a separate export credit insurance body would fit with the government's wide-reaching efforts to support the country's struggling exporters with measures short of a devaluation of the Chinese currency. China's export growth has collapsed in the wake of the Asian crisis, as the competitiveness of Chinese exporters has been eroded by a strong, stable Chinese currency in a region of depreciated currencies.

Beijing has already used tax rebates and export credits to assist exporters. **James Harding, Shanghai**

### TURKISH CONTRACTS

## International arbitration agreed

Turkish officials are believed to have reached an agreement that would remove the single biggest obstacle to foreign investment in Europe's fastest-growing energy market. Energy industry executives said they understood there was substance to reports that the energy ministry had convinced the Danistay, or Council of State, to allow international arbitration in energy deals. Under Turkish law, the Danistay is supposed to arbitrate in the event of disputes between Turkish and foreign partners on the implementation of a contract.

But foreign companies find it hard to raise funds for any projects which do not provide for international arbitration. Turkey's refusal so far to accept international arbitration, except in isolated cases, has complicated its attempts to transfer operating rights at a number of power plants to more efficient private investors.

The lack of international arbitration is also described by UK water industry executives as the single most important obstacle to foreign investment in new water and sewerage plants. **Leyla Boulton, Ankara**

### NUCLEAR POWER IN INDIA

## Ukraine 'signs turbine deal'

Turboatom of Ukraine has reportedly signed a contract to supply an unspecified number of nuclear turbines to India, although Ukrainian officials declined to confirm the television report. Last year, the US objected to Turboatom's planned sale of nuclear turbines to Iran, fearing that the technology would aid Iran with its efforts to build a nuclear bomb. As a result, the Ukrainian government pressured Turboatom to abandon the deal. But US officials said they had no problem with such a sale to India, which last year successfully tested a nuclear bomb. **Charles Clover, Kiev**


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## CONTRACTS & TENDERS

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If you are interested, please submit informative documents about your company (latest annual report, reference projects, business connections, bidding position on the market etc.), on the basis of which suitable applicants for a limited competition will be selected. The business language is German.

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Please send these documents by not later than February 28, 1999, to: LEVG, Mr. Reinhard Wölpert, Deutscher Platz 4, D-04103 Leipzig. Tel. +49 (0) 341/2 26 00-0, Fax +49 (0) 341/2 26 00 23.

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Chancery Division Companies Court
In The Matter of
THE FLEMING CONTINENTAL EUROPEAN INVESTMENT TRUST plc
and In The Matter of
The Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 21 January 1999 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of capital of the above-named Company from £22,340,000 to £21,320,000 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 17th day of February 1999.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 8th day of February 1999
LINKLATERS & PAINES (DTL),
One Silk Street, London EC2Y 8HQ.
Solicitors for the above-named Company

MUTUAL OF OMAHA U.K. LIMITED

On 3 February 1999 the solvent Scheme of Arrangement between the above mentioned company and its creditors became effective.

[illegible] and Paul [illegible], partners in the U.K. firm of PricewaterhouseCoopers have been appointed Scheme Administrators of the company.

Notice is hereby given that under the terms of the Scheme, creditors have 3 months from the Scheme becoming effective to submit claims against the company to the Scheme Administrators. No claims can be admitted after the deadline of 3 May 1999 (being 3 months from 3 February 1999).

All correspondence concerning creditors claims should be addressed to the following office where further claim forms may also be obtained if necessary.

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KING HUSSEIN'S FUNERAL

# Mideast animosities banished for a day as world leaders mourn region's peacemaker

By David Gardner, Middle East Editor, in Amman

Only King Hussein could command such a quorum, and only then, upon his death.

Such a gathering had never been seen in the Middle East, and very likely will not be again, unless, by some miracle, the Arabs and the Israelis reach a way of living with each other. That would require the Arabs to bury a century of hatchets. It would also require the Israelis to conquer their own divisions – at least enough to decide what sort of peace they want.

For at yesterday's magnificent yet informal state funeral for the late Jordanian monarch, there they all were: Arab leaders with a past of communicating with each other by car bomb, some of whom would never knowingly be seen at an occasion attended by Israelis; a huge but visibly split delegation from Israel; and all amid a melée of over 50 world leaders, come from all continents to pay their respects to a man not a few of them had at one time or another schemed against and reviled.

It was a protocol and security nightmare for the Jordanians, but they carried it off with aplomb, dignity, and the mix of courteous informality that so characterised their dead leader. Nobody was in any doubt it increased their pride in him.

Imagine the problem – the seating arrangements alone a diplomatic nightmare – One thing is the bi- or even tri-partisan solidarity shown by the US and the UK. Bill Clinton attended with former President Jimmy Carter from his own party and Republican Presidents George Bush and Gerald Ford (a mere four out of the 10 US presidents King Hussein dealt with in his long reign), while Tony Blair, the British prime minister, arrived with Prince Charles and the two opposition leaders, William Hague and Paddy Ashdown. But quite another level of regional animosity was subsumed into the mourning for King Hussein.

Yassir Arafat, Bill Clinton and Benjamin Netanyahu among about 50 world leaders taking part in the funeral procession yesterday

There is President Hafez al-Assad, the painfully frail master of Syria. And here is Benjamin Netanyahu, the Israeli prime minister who refuses to give up one inch of the Golan Heights Israel seized from Syria in the 1967 Arab-Israeli war – still not settled by treaty, and in which King Hussein lost east Jerusalem and the Palestinian West Bank. Nearby is the ailing Yassir Arafat, loser in the 1970-71 civil war King Hussein fought against the Palestinians after the 1967 disaster, but now saluting the dead monarch's coffin. Milling around them are Gulf Arab leaders still technically at war with Israel, not to mention a modest delegation from Lebanon which is daily at war in the Israeli-occupied buffer of southern Lebanon.

Or consider the Iraqi delegation. After December's bombing campaign by the US and the UK, continued by now almost daily skirmishes between Iraqi and allied war planes, one would assume Taha Mohieddin Ma'arouf, Iraq's vice- president, would not want to be in the same cortege as President Clinton or Mr Blair, or they with him – and indeed, Saddam Hussein's deputy was nowhere to be seen in the throng.

Moreover, given that Mr Saddam last month called on the Arab masses to rise up and overthrow the "throne dwarves" who govern them, few Gulf monarchs at yesterday's funeral would have wanted to be caught in the same frame as the Iraqi leader's functionaries either.

An entirely different problem, under the circumstances, was presented by President Boris Yeltsin of Russia, who ignored doctors' advice to come to the funeral. Propped up by aides, he had to abandon the procession, parting a cortege the size of the United Nations as his Zil limousine sped him away.

The huge Israeli delegation presented a protocol problem all its own – largely because it split into four delegations, filing very separately past the lying-in-state. First was President Ezer Weizman, who has occasionally exceeded his ceremonial powers to warn Mr Netanyahu against intransigence. Then came the Israeli prime minister with his foreign minister and right-wing rival Ariel Sharon, the invader of Lebanon in 1982 who periodically liked to remind King Hussein that Jordan was part of Biblical Israel. Third came Ehud Barak, Mr Netanyahu's Labour challenger in the most vicious election campaign since Israel's foundation. He was followed by his predecessor Shimon Peres, architect of the now stagnant peace process, accompanied by Yitzhak Mordechai, the defence minister who split from Mr Netanyahu to lead a new centrist party in the May elections.

If that was not enough, there was also Ephraim Halevy, chief of Mossad, which trampled over Israel's 1994 peace treaty with Jordan to launch a botched assassination against a leader of Hamas, the Palestinian Islamist movement, in Amman in 1997. It would not have been the occasion it was had not Khaled Meshal, the Hamas leader targeted, not filed past the coffin shortly afterwards.

The Jordanian authorities dealt with it all by simply leaving the visiting dignitaries to find their own seating.

There surely must have been some artful premeditation in the fact that it was President Assad – a man who at least twice over the decades threatened King Hussein with invasion – was the first in the long queue after the funeral to present his condolences to the young King Abdullah. His was the most remarked presence at King Hussein's extraordinary send-off – and perhaps marked an artfully buried hatchet.

# Bagpipes, The Last Post and readings from the Koran

By Judy Dempsey in Amman

Close to 11am, on a bitterly cold morning, the cortège carrying the coffin of King Hussein slowly made its way from the Bab el Salam royal residence, past the hospital where the King died on Sunday after a long battle with cancer.

The cortège, led by guards wearing the traditional red and white headdress of Jordan, wound its way to the small royal cemetery, located in the grounds of the Raghadan Palace, the final resting place of the Hashemite kings.

Along the route, the shops were closed. Black flags hung at half mast. From the open windows, one could hear the verses of the Koran being recited on radio and television.

As the cortège went down the hill towards the palace, through the poorer districts of the capital, the crowd started to swell.

Often five deep, young and old tried to push their way toward the vehicle carrying the body of a king, who during his reign of 47 years became their father figure and protector, never shunning contact with his own people.

At times, they managed to break through the cordons of policemen to touch or throw flowers over the casket of their leader – the only one most Jordanians have ever known.

The policemen, some openly weeping, only kept them at bay through sheer force of numbers.

As the cortège entered through the gates of the Raghadan Palace, armoured tanks and soldiers were poised to protect the kings and princes, presidents and prime ministers, who had come from around the world to attend one of the most extraordinary funerals in the Arab world and of the late 20th century.

Yet within the confines of the lush grounds of the palace, Jordan's new king, Abdullah II, 37, chose to give pride of place to his own people. They were first to file past the coffin of his father as the foreign dignitaries waited outside, thrown together without any order of preference, by the palace and wait their turn.

Inside the small Throne Room, whose windows face Mecca, Jordan's many former prime ministers, former chiefs of the Royal Court and other Jordanian dignitaries, filed past the coffin, as King Abdullah stood beside Prince Hassan, the uncle he suddenly replaced as heir apparent last month. It was then the turn of foreign leaders.

Soon after, without any delay, the coffin was taken to the cemetery, led by guards playing a mournful Scottish tune on bagpipes, a legacy of the British colonial era. The body, wrapped in a white shroud, was lowered into the ground. The Last Post was sounded. The Koran's prayers for the dead were recited.

The foreign dignitaries paid their last respects by shaking hands with King Abdullah. But by the time they had driven off in their limousines, the young King was receiving ordinary Jordanians, continuing the common touch of his father and ending the ceremony – as it began – with his own people.

# Aid for poor nations sinks to record low

By Robert Chote, Economics Editor, in London

The amount industrial countries spend on development aid for poor nations fell to a record low in 1997, but there are tentative signs of an upturn.

Overseas development assistance by 21 of the richer members of the Organisation for Economic Co-operation and Development dropped from $55.4bn in 1996 to $48.3bn in 1997, the OECD said yesterday.

Adjusting for inflation, this represented a fall of 5.8 per cent. As a share of national income, aid spending fell from 0.25 per cent in 1996 to a record low of 0.22 per cent. Development assistance is well down from the historic norm of 0.33 per cent recorded before 1992, let alone the 0.7 per cent United Nations target.

The OECD's development assistance committee noted that the largest industrial countries were predominantly to blame for the 20 per cent fall in inflation-adjusted aid spending since 1992. Development assistance from the Group of Seven – Japan, Germany, France, Italy, Canada, the US and the UK – fell by 29 per cent between 1992 and 1997, while real spending in the smaller industrial countries was little changed.

The OECD noted that development aid had been seen as a soft target as industrial countries took steps to get their government borrowing under control. The share of government spending devoted to aid thus fell to 0.6 per cent in 1997 from 0.8 per cent five years earlier.

But the OECD noted there were some reasons for optimism. The report singled out the UK for having made a firm commitment to increase the share of national income it devotes to aid. A pledge to reverse falling aid spending was also included in the German government's coalition agreement.

Canada and Japan were the only G7 countries to increase aid spending in real terms during 1997 and this was only because they had caught up with payments to multilateral agencies that had been delayed from the previous year. US aid spending fell sharply in cash terms, but this was partly because its payments to Israel were no longer classified as development aid.

The Nordic countries and the Netherlands remained by far the most generous aid donors in 1997, with each of them easily exceeding the UN target. Denmark was the most generous, giving 0.97 per cent of national income.

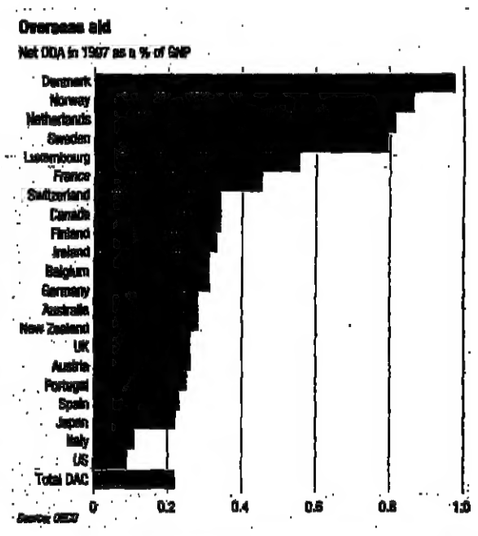
The US is the least generous aid donor at 0.09 per cent of national income, although in cash terms its contribution was second only to Japan at $6.88bn. The UK's contribution in 1997 amounted to 0.26 per cent of national income, but the spending plans hammered out between the Department for International Development and the Treasury mean this is set to rise to 0.3 per cent by 2001.

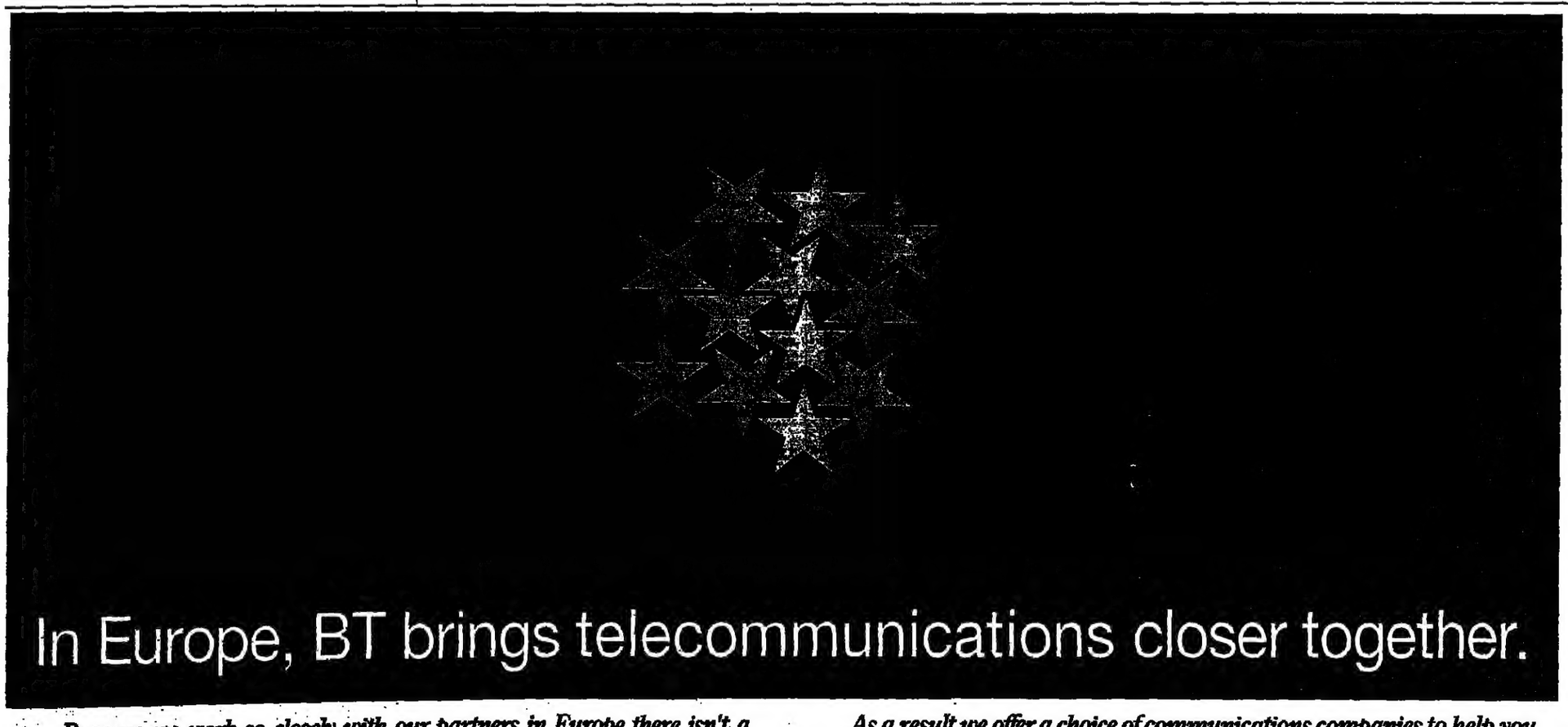
The committee welcomed the fact that many donors were now concentrating development assistance on the achievement of international targets for poverty reduction.

Gender equality, improving basic health and education, good governance and environmental sustainability have all become more important priorities.

Structural changes are also taking place in aid provision, with many countries taking the opposite approach to the UK government and integrating development programmes into ministries of foreign affairs. Aid implementation is also being entrusted increasingly to independent agencies.

Several donors are decentralising responsibilities and strengthening their physical presence in developing countries, mirroring the reforms undertaken at multilateral agencies such as the World Bank. But some are reducing their presence in the field to save money.

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**BANK OF JAPAN** CHIEF GOVERNMENT SPOKESMAN MAKES PUBLIC REQUEST

# BoJ under pressure to buy more bonds

By Michiyo Nakamoto and Naoko Nakamae in Tokyo

Pressure on the Bank of Japan (BoJ) to buy government debt increased yesterday as Hiromu Nonaka, chief cabinet secretary, called on the central bank to consider increasing its market purchases of government bonds.

The move by Mr Nonaka, the chief government spokesman and one of the most powerful politicians in the ruling Liberal Democratic party, is the first unequivocal call by a top-ranking government official for the central bank to buy more Japanese government bonds (JGBs). It also comes just before the bank's independent policy board meets on Friday.

"Even if there are great difficulties from the perspective of the BoJ law or the Fiscal law, I think responsibility for breaking out of the present severe situation rests with the BoJ, as the central bank," Mr Nonaka said. The bank had "the responsibility to resolve the current serious situation by considering various means, including buying government bonds in the market. I hope (the proposal) will be discussed by the BoJ within the week," he said.

Mr Nonaka's comments reflect growing unease within the LDP that rising long-term interest rates could dent the recovery that Keizo Obuchi, the prime minister, has pledged this year. But the chief cabinet secretary stopped short of calling on the BoJ to underwrite JGBs, which is illegal under current legislation.

Both the central bank and the finance ministry have strongly opposed any suggestions that the BoJ should directly underwrite JGBs. Eisuke Sakakibara, vice finance minister, yesterday said it was "an absurd idea and should not be done".

But Mr Sakakibara indicated the BoJ could increase market purchases of JGBs. The idea is opposed by many BoJ officials who believe the bank must maintain its independence from politicians.

But Mr Nonaka's comments suggested to the opposition Democratic party that the LDP had struck a deal with the central bank for it to double current market purchases of government bonds. Last week, bond yields shot up over 30 basis points amid growing concern about the large level of government debt issuance.

Yesterday, the yield on the benchmark 10-year government bond fell over 20 basis points to 2.16 per cent on hopes that the central bank might be forced to step in.

The market was buoyed by hopes that the BoJ would change its stance at its monetary policy meeting on Friday, said Masuhisa Kobayashi, fixed income strategist at Merrill Lynch in Tokyo.

# Japanese probe on sensitive exports

By Michiyo Nakamoto in Tokyo

Hitachi Electronics, the precision instruments maker, is being investigated on suspicion of illegally exporting to China instruments that could be used to produce nuclear weapons.

Japanese police yesterday sent documents to prosecutors on Hitachi Electronics – a subsidiary of Hitachi, the large integrated electronics company – and Ryokosha, another precision instruments maker and exporter, relating to alleged illegal sales of telecomparators to China in violation of Japanese law.

Telecomparators are used to measure microscopic compounds but can also be used to manufacture equipment to extract plutonium for nuclear weapons.

The move by the police indicates the authorities are closer to charging Hitachi Electronics and Ryokosha with violating Japan's export control laws.

The revelations come in the wake of growing concern in the US that sensitive technology that could be used for military purposes was transferred to China through commercial satellite businesses.

Hitachi Electronics and Ryokosha are alleged to have conspired to report falsely that the instruments were destined for South Korea. Police believe the instruments were shipped through South Korea to conceal the fact that they were being shipped to China.

The two companies are said to have sold 18 telecomparators worth about Y230m ($2m) to a factory in Harbin, China. Ryokosha is further suspected of despatching employees to the Harbin factory for technical instruction, without obtaining government authorisation, police say.

Japan has strict rules regarding the export of products and technologies that can be used for military purposes. However, Japanese police have indicated that they believe cases where illegal exports come to light are only the tip of the iceberg.

Police have already detained a former senior managing director of Ryokosha for allegedly arranging the sale, which could be a violation of Japan's foreign exchange law.

"Considering our social standing and responsibility, it is highly regrettable" that the case has been referred to prosecutors, Hitachi Electronics said yesterday. Ryokosha said that it was "co-operating fully with the investigations".

# Self-confident India unmoved by US nuclear growling

Jaswant Singh, India's foreign minister, is interviewed by **Peter Montagnon**

Jaswant Singh, India's foreign minister, almost shudders with distaste at the thought. He wants nothing so cheap as "a deal" with the US on the lifting of economic sanctions imposed as a result of India's nuclear tests last May.

Instead, he says he is aiming for acceptance by Washington of India's claim to be a responsible nuclear power and its earnest desire not to get in the way of global non-proliferation efforts. Thereafter it is up to the US to lift the sanctions if it so wishes, but the hope remains that Washington will then enter a new era of close relations with the world's largest democracy.

Slight and soft-spoken, his physical presence masks a steely determination and the confidence of a well thought-out position. It is difficult to imagine him losing his temper as he knots his bushy eyebrows together in patient search of the right formulation.

But his even temper must make some of the more raucous elements of the US Congress gnash their teeth in frustrated fury. He is not moved by their desire to punish India for last year's tests.

Diplomats say they now expect Mr Singh's approach to win the day. Both sides know the risk of striking a definitive deal which could be torn apart by political critics at home.

Instead the effort now looks likely to be incremental with a gradual elimination of differences leading ultimately to a visit to the region by President Clinton, the first by a US President since Jimmy Carter in 1976. A start, some believe, could come quite soon with the lifting of restrictions on World Bank lending.

This is not to say that India is happy with the US tendency to set standards for others.

"Prescriptive statements telling India to do this, that and the other are counter-productive," he says. "We as India arrive at our commitments as national commitments."

What has secured progress in the bilateral talks, is Washington's understanding of this view, he says, rather than any trade-offs involving shifts in intrinsic positions. India continues to argue that its posture on nuclear deployment will be passive – minimum deterrent, no arms trade, no first use, no use against non-nuclear states – and that it has an "impeccable" record on export controls.

It is willing to sign up to an enforceable treaty on fissile material production, which Mr Singh argues is more effective that a non-verifiable unilateral declaration of intent to limit production.

But it is not prepared to abandon its missile programme, which does not go beyond the development of an advanced Agni medium-range missile, and it continues to believe that third-party involvement in its dispute with Pakistan over Kashmir is counter-productive and destabilising. "It would be a negative development if Pakistan were permitted to ride into the valley of Kashmir piggy-back on non-proliferation."

When the US chooses to lift sanctions is a matter for it to decide, he says. But he is encouraged by Washington's evident desire for a better relationship.

Jaswant Singh: facing up to Washington's sanctions Reuters

That said, Mr Singh admits to an acute awareness of the challenge to India's own diplomacy posed by the tests. As an energy-poor country, it needs to collaborate with others in the civilian nuclear field. The ability to reassure on the proliferation front is thus vitally important, especially since India – as a declared but not recognised nuclear state – cannot be part of the non-proliferation treaty (NPT), which governs exchanges of technology.

"An answer has to be found," Mr Singh says. "The NPT is a no-entry area. We have to work our way around that difficulty."

# Battling Anwar takes the stand at last

By Sheila McNulty in Kuala Lumpur

After five months behind bars, Anwar Ibrahim, the sacked deputy prime minister of Malaysia, is gaunt and pale, his hair visibly thinning. But when he was able yesterday finally to take the stand and defend himself against almost four months of prosecution charges, the confident, even cocky, spirit that once embodied the second most powerful man in Malaysia shone through.

Mr Anwar briskly made his way from the wooden cage at the centre of the courtroom – in which he had been confined – to the witness stand in front of the judge. When asked his address, he joked that it was the prison in which he is being held. Supporters, human rights observers and journalists in the public gallery duly laughed.

But it was not the day Mr Anwar might have hoped for. Mohtar Abdullah, attorney general, took over the prosecution and succeeded in convincing Augustine Paul, the High Court judge, to bar the defence attorney from pursuing questioning trying to prove Mr Anwar was the victim of a conspiracy by those he crossed in investigating corruption.

"As chairman of the committee on management and good governance, my responsibility is heavy and difficult, and not liked by many people," Mr Anwar said. "This is because the committee has accepted so many complaints on government mismanagement, bribery – including accusations involving ministers, senior officers and even the prime minister himself." Mr Mohtar insisted the committee's work was irrelevant.

The defence said it would continue to try to prove a conspiracy against Mr Anwar, who was detained after leading a protest by thousands of Malaysians against Mahathir Mohamad, the prime minister, and subsequently beaten by police.

Mr Anwar is charged with sexual misdeeds and related abuse of power. He says the case is to punish him for becoming a potential challenger of Dr Mahathir's 18-year reign. Hundreds of Malaysians stood outside the courthouse once more to protest against the case, which has divided the nation.

## NEWS DIGEST

**CENTRAL BANK**

### New Zealand switches monetary control system

The Reserve Bank of New Zealand is to abandon its controversial attempt to control monetary conditions through setting broad targets through an index (the MCI) and switch to a more traditional fixed cash-rate scheme.

The MCI has been widely ignored by the financial markets since the central bank's last statement in mid-December. In recent weeks the index has been running at around minus 200, instead of the bank's desired target of minus 400.

The new system, broadly the same as used by the Federal Reserve of the US and the Reserve Bank of Australia, will introduce a cash system from March 17, the date of the RBNZ's next economic statement. The cash rate will be reviewed every six weeks, and the RBNZ will set a 50-basis-point band.

The bank said the change was a technical one to make the implementation of monetary policy simpler and easier to understand. But the Bank of New Zealand last night said it doubted this. "The (MCI) system simply didn't work, particularly in the face of large external shocks. Much of the excessive volatility in interest rates last year was completely unnecessary, and we expect it had some harmful impact on growth," the BNZ said. "The RBNZ has walked away from the MCI. . . In effect it will be downgraded in influence to that of other indicators of financial conditions, such as credit spreads, yield curve, asset prices and so on. We applaud the move." Terry Hall, Wellington

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**HONG KONG**

### Dispute looms with Beijing

Hong Kong looked on course for a serious constitutional dispute with the Chinese government after mainland officials sharply criticised an historic judgment by the territory's Court of Final Appeal.

The ruling late last month was widely regarded as the most significant affirmation of Hong Kong's legal autonomy since it reverted to Chinese rule in July 1997, asserting that the Court of Final Appeal could disregard National People's Congress laws that affect Hong Kong if they were inconsistent with Basic Law, the territory's post-handover constitution.

"This is a violation of the Basic Law. It is a very serious matter. The decision needs to be changed," a senior Chinese official who declined to be named said yesterday.

The Chinese government publication Legal Daily, meanwhile, quoted Xiao Yang, the president of the Supreme People's Court in China, as saying that "courts of all levels throughout the country must strengthen their contact with the people's delegates (to the National People's Congress) and actively accept the supervision of the NPC".

Hong Kong's Democratic party, its leading political organisation, said the departure from China's non-interference in Hong Kong could lead to "a constitutional crisis". Rahul Jacob, Hong Kong, and James Kynge, Beijing

**TAIWAN ECONOMY**

### Growth forecast cut

Taiwan's government yesterday cut its forecast for 1999 economic growth to 4.74 per cent and said the island's economic expansion in 1998 was its weakest in 16 years.

Economists said low consumer confidence and a profit drought afflicting manufacturers meant the new 1999 growth prediction could still prove too optimistic.

The government's statistics office reported that preliminary data showed gross domestic product expanded 4.83 per cent last year – the poorest performance since 1982.

Growth in the last quarter of the year was an unexpectedly small 3.71 per cent, a figure likely to stoke widespread fears for the health of the economy that have helped to send the main Taiwanese stock index plunging in recent weeks. The Ministry of Finance announced late on Sunday short-term measures to bolster the market that included a relaxing of rules on margin trading, steps to increase market transparency and rewards of up to T$3m (US$93,000) for those who assist a new crackdown on rumour-mongering. Mure Dickie, Taipei

# Asian crisis places health of Singapore hospitals at risk

**Sheila McNulty** explains why the country's private health sector is suffering

In the elevator of the Thomson Medical Centre in Singapore, there is is a picture of a stork carrying a notice detailing the fees for a range of birth delivery options in the maternity wing. That way expectant parents on the way in get to know exactly what they will pay on the way out.

The economic crisis in the region has made it essential to give patients that sort of bottom-line knowledge to maintain Singapore's status as a regional health care hub.

Many, particularly those from the hard-hit countries of Indonesia and Malaysia, have stopped coming to the city-state for the routine care they once favoured as a higher standard than that offered in their own countries. And even Singaporeans who once opted for private hospitals are increasingly seeking public care or cutting costs by choosing, for example, to stay in a four-person instead of a two-person room. Singapore's private health care industry is hurting.

"People have lowered their sights," says Lee Cheow Seng, chief executive officer of Thomson Medical Centre and chairman of the Singapore Private Hospitals Group. "Everyone is so concerned about what is the bottom line."

Healthcare is one of Singapore's key services to the region, generating nearly S$3bn (US$1.8bn) in annual turnover, with patients arriving from as far away as India. The government has committed large sums toward its development, with latest data showing it invested S$4bn in 1997, 2.8 per cent of gross domestic product.

Now the economic crisis has helped reduce the number of foreign patients in Singapore's private hospitals from 25-35 per cent of total patients to 15-20 per cent, while also pushing the usual 65 per cent occupancy rates below 60 per cent.

At a time when retrenchments and business failures are commonplace in the region, Yeo Cheow Tong, minister of health, says the public facilities are heavily occupied at the expense of private institutions.

"The challenge is for them to ensure they are able to review charges and ensure they are not over-pricing themselves," Mr Yeo says. He seems confident the private hospitals will continue trying to meet that challenge. "Nothing stimulates creativeness like the need for survival."

"Private hospitals have essentially been sustained by foreign visitors," says Song Seng Wun, regional economist at G.K. Goh Research in Singapore. "In the old days, Indonesians would come just for their monthly check-up. Not any more."

Singapore patients know what they're in for

Many private hospitals have responded by reducing room rates by 10 per cent and being increasingly pragmatic when making equipment purchases, basing decisions on potential usage instead of an urge to keep up with new technology.

Many private hospitals are also putting together packages like Thomson's delivery one that, based on accommodation and other variables, give patients the option of choosing how much they want to pay and the comfort of knowing exactly what the bill will be.

All the private hospitals have instituted some form of staff cuts and the annual bonuses that were routine in recent years are not in all cases being paid.

The government's nationwide 15 per cent wage-cutting campaign (aimed at restoring the competitiveness Singapore lost when regional currencies depreciated far further than its own) will provide further relief to the industry this year, considering that the bulk of the private hospitals' operating costs are in staff.

Mr Lee acknowledges that the crisis may have lost Singapore some patients for ever. "Some people may realise they have good enough care in their own countries," he says. They may only come to Singapore for a higher level of expertise when needed. "Eventually, we will have to regionalise to tap into patients in their own countries."

Mr Yeo says the public sector will concentrate on maintaining its hub status by continuing to build Singapore's health care expertise by investing in the training of doctors and specialists and doing research.

## INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

**UNITED STATES**

| | Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1989 | 1.0 | 4.2 | 8.99 | 8.50 | 3.43 |
| 1990 | 3.6 | 5.5 | 8.06 | 8.55 | 3.60 |
| 1991 | 8.0 | 3.7 | 5.87 | 7.86 | 3.21 |
| 1992 | 12.5 | 1.9 | 3.75 | 7.00 | 2.95 |
| 1993 | 11.6 | 1.1 | 3.22 | 5.86 | 2.78 |
| 1994 | 6.2 | 1.4 | 4.67 | 7.08 | 2.86 |
| 1995 | –0.2 | 2.1 | 5.83 | 6.57 | 2.61 |
| 1996 | –3.2 | 4.8 | 5.41 | 6.43 | 2.15 |
| 1997 | –3.3 | 5.0 | 5.59 | 6.34 | 1.73 |
| 1998 | 0.9 | 7.5 | 5.38 | 5.26 | 1.46 |
| 1st qtr.1998 | 0.0 | 6.5 | 5.47 | 5.60 | 1.51 |
| 2nd qtr.1998 | 1.3 | 7.2 | 5.50 | 5.59 | 1.42 |
| 3rd qtr.1998 | 0.6 | 7.4 | 5.45 | 5.19 | 1.47 |
| 4th qtr.1998 | 1.8 | 8.7 | 5.10 | 4.66 | 1.42 |
| February 1998 | 0.0 | 6.6 | 5.46 | 5.61 | 1.51 |
| March | 0.8 | 6.8 | 5.48 | 5.64 | 1.44 |
| April | 1.4 | 7.0 | 5.48 | 5.63 | 1.41 |
| May | 1.4 | 7.2 | 5.51 | 5.66 | 1.42 |
| June | 1.1 | 7.3 | 5.51 | 5.49 | 1.42 |
| July | 0.7 | 7.3 | 5.50 | 5.45 | 1.37 |
| August | 0.0 | 7.2 | 5.50 | 5.33 | 1.48 |
| September | 0.9 | 7.8 | 5.35 | 4.80 | 1.58 |
| October | 1.7 | 8.4 | 5.10 | 4.52 | 1.58 |
| November | 2.0 | 8.8 | 5.15 | 4.84 | 1.39 |
| December | 1.7 | 9.1 | 5.07 | 4.65 | 1.33 |
| January 1999 | | | 4.82 | 4.71 | 1.27 |

**JAPAN**

| | Narrow Money (M1) | Broad Money (M3+CDs) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1989 | 4.1 | 10.6 | 5.31 | 5.16 | 0.48 |
| 1990 | 2.6 | 9.5 | 7.52 | 6.90 | 0.65 |
| 1991 | 5.2 | 2.0 | 7.21 | 6.40 | 0.75 |
| 1992 | 4.5 | –0.4 | 3.76 | 5.24 | 1.00 |
| 1993 | 3.0 | 1.4 | 2.95 | 4.16 | 0.87 |
| 1994 | 5.4 | 2.9 | 2.23 | 4.20 | 0.78 |
| 1995 | 8.2 | 3.2 | 1.22 | 3.39 | 0.86 |
| 1996 | 13.7 | 2.9 | 0.58 | 3.03 | 0.75 |
| 1997 | 8.8 | 3.8 | 0.59 | 2.34 | 0.87 |
| 1998 | 8.1 | 3.9 | 0.72 | 1.48 | 1.01 |
| 1st qtr.1998 | 9.5 | 4.5 | 0.94 | 1.88 | 0.97 |
| 2nd qtr.1998 | 7.9 | 3.4 | 0.64 | 1.63 | 0.99 |
| 3rd qtr.1998 | 7.8 | 3.8 | 0.68 | 1.39 | 1.03 |
| 4th qtr.1998 | 7.3 | 3.9 | 0.61 | 1.09 | 1.07 |
| February 1998 | 10.3 | 5.0 | 1.04 | 1.76 | 0.95 |
| March | 8.6 | 4.5 | 0.64 | 1.62 | 0.96 |
| April | 8.1 | 3.8 | 0.71 | 1.62 | 0.98 |
| May | 8.0 | 3.9 | 0.62 | 1.37 | 0.99 |
| June | 7.4 | 3.4 | 0.60 | 1.28 | 1.01 |
| July | 8.1 | 3.5 | 0.74 | 1.42 | 0.95 |
| August | 7.9 | 3.8 | 0.75 | 1.47 | 1.02 |
| September | 7.8 | 3.8 | 0.55 | 1.05 | 1.11 |
| October | 8.8 | 3.9 | 0.58 | 0.86 | 1.16 |
| November | 7.7 | 4.3 | 0.62 | 0.92 | 1.02 |
| December | 5.8 | 3.9 | 0.62 | 1.47 | 1.03 |
| January 1999 | | | 0.67 | 1.86 | 1.05 |

**GERMANY**

| | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1989 | 6.3 | 5.7 | 7.12 | 6.90 | 2.22 |
| 1990 | 4.5 | 4.5 | 8.49 | 8.56 | 2.11 |
| 1991 | 5.1 | 5.6 | 9.25 | 8.42 | 2.36 |
| 1992 | 7.0 | 8.1 | 9.52 | 7.80 | 2.46 |
| 1993 | 9.4 | 7.8 | 7.28 | 6.47 | 2.11 |
| 1994 | 9.6 | 9.0 | 5.36 | 6.86 | 1.77 |
| 1995 | 3.7 | 6.6 | 4.53 | 6.62 | 2.00 |
| 1996 | 10.4 | 7.5 | 3.31 | 6.21 | 1.81 |
| 1997 | 8.4 | 6.2 | 3.32 | 5.65 | 1.45 |
| 1998 | | 4.4 | 3.54 | 4.56 | 1.31 |
| 1st qtr.1998 | 5.1 | 3.6 | 3.54 | 5.01 | 1.32 |
| 2nd qtr.1998 | 6.3 | 4.0 | 3.61 | 4.89 | 1.22 |
| 3rd qtr.1998 | 6.0 | 4.2 | 3.51 | 4.39 | 1.25 |
| 4th qtr.1998 | | 5.6 | 3.52 | 4.00 | 1.44 |
| February 1998 | 5.3 | 3.4 | 3.51 | 4.98 | 1.31 |
| March | 5.5 | 4.0 | 3.52 | 4.90 | 1.28 |
| April | 7.2 | 4.0 | 3.63 | 4.90 | 1.24 |
| May | 5.6 | 3.7 | 3.63 | 4.96 | 1.23 |
| June | 6.1 | 4.3 | 3.56 | 4.80 | 1.19 |
| July | 5.0 | 4.2 | 3.54 | 4.69 | 1.14 |
| August | 5.9 | 4.0 | 3.50 | 4.42 | 1.22 |
| September | 7.2 | 4.5 | 3.49 | 4.04 | 1.38 |
| October | 8.1 | 5.0 | 3.67 | 4.03 | 1.53 |
| November | 8.0 | 5.5 | 3.63 | 4.10 | 1.36 |
| December | | 6.2 | 3.57 | 3.87 | 1.39 |
| January 1999 | | | 3.14 | 3.72 | 1.31 |

**FRANCE**

| | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1989 | 7.6 | 10.0 | 9.40 | 8.79 | 2.68 |
| 1990 | 3.8 | 9.3 | 10.32 | 9.92 | 3.19 |
| 1991 | –4.7 | 2.3 | 9.62 | 9.03 | 3.58 |
| 1992 | –0.3 | 5.4 | 10.36 | 8.57 | 3.55 |
| 1993 | 1.1 | –3.0 | 8.55 | 6.75 | 3.21 |
| 1994 | 2.5 | 1.7 | 5.84 | 7.21 | 2.99 |
| 1995 | 7.2 | 4.4 | 6.60 | 7.53 | 3.17 |
| 1996 | 0.6 | –3.7 | 3.94 | 6.32 | 3.05 |
| 1997 | 8.4 | 1.7 | 3.46 | 5.56 | 2.58 |
| 1998 | 3.0 | 2.7 | 3.56 | 4.64 | 2.20 |
| 1st qtr.1998 | 9.4 | 4.3 | 3.58 | 5.03 | 2.23 |
| 2nd qtr.1998 | 9.9 | 4.7 | 3.60 | 4.95 | 1.98 |
| 3rd qtr.1998 | 8.7 | 4.9 | 3.55 | 4.52 | 2.18 |
| 4th qtr.1998 | | | 3.49 | 4.10 | 2.40 |
| February 1998 | 11.8 | 4.6 | 3.57 | 5.01 | 2.23 |
| March | 8.4 | 4.3 | 3.57 | 4.94 | 2.09 |
| April | 10.7 | 4.9 | 3.63 | 4.95 | 2.04 |
| May | 10.6 | 4.8 | 3.61 | 5.02 | 1.98 |
| June | 8.9 | 4.7 | 3.57 | 4.88 | 1.93 |
| July | 8.8 | 4.8 | 3.56 | 4.79 | 1.94 |
| August | 7.6 | 4.8 | 3.56 | 4.54 | 2.18 |
| September | 8.7 | 4.9 | 3.54 | 4.22 | 2.44 |
| October | 8.2 | 5.2 | 3.55 | 4.19 | 2.61 |
| November | 6.0 | 3.3 | 3.58 | 4.22 | 2.31 |
| December | | | 3.33 | 3.91 | 2.26 |
| January 1999 | | | 3.14 | 3.79 | 2.11 |

**ITALY**

| | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1989 | 7.2 | 5.5 | 12.42 | 11.61 | 2.46 |
| 1990 | 9.2 | 7.0 | 11.98 | 11.87 | 2.84 |
| 1991 | 7.3 | 5.9 | 11.83 | 13.20 | 3.46 |
| 1992 | 6.9 | 3.1 | 13.86 | 13.29 | 3.63 |
| 1993 | 4.7 | 2.8 | 10.22 | 11.23 | 2.35 |
| 1994 | 6.8 | 3.6 | 8.48 | 10.56 | 1.67 |
| 1995 | 0.4 | –1.8 | 10.38 | 12.22 | 1.72 |
| 1996 | 1.0 | 0.2 | 8.75 | 9.43 | 2.19 |
| 1997 | 8.8 | 9.7 | 6.83 | 6.83 | 1.91 |
| 1998 | 10.5 | 7.2 | 4.95 | 4.90 | 1.37 |
| 1st qtr.1998 | 8.8 | 9.0 | 5.89 | 5.36 | 1.33 |
| 2nd qtr.1998 | 13.2 | 10.4 | 5.11 | 5.16 | 1.23 |
| 3rd qtr.1998 | 10.3 | 6.8 | 4.91 | 4.77 | 1.42 |
| 4th qtr.1998 | 9.8 | 2.7 | 3.92 | 4.32 | 1.48 |
| February 1998 | 8.5 | 8.6 | 6.09 | 5.38 | 1.34 |
| March | 10.1 | 9.4 | 5.56 | 5.21 | 1.19 |
| April | 12.9 | 10.7 | 5.18 | 5.16 | 1.13 |
| May | 12.8 | 10.1 | 5.07 | 5.22 | 1.28 |
| June | 14.1 | 10.5 | 5.10 | 5.10 | 1.31 |
| July | 11.6 | 8.1 | 4.85 | 4.98 | 1.28 |
| August | 9.8 | 6.4 | 4.93 | 4.80 | 1.36 |
| September | 9.6 | 9.1 | 4.96 | 4.53 | 1.51 |
| October | 8.9 | 3.0 | 4.49 | 4.49 | 1.69 |
| November | 9.2 | 2.9 | 3.93 | 4.43 | 1.42 |
| December | 10.5 | 2.3 | 3.35 | 4.04 | 1.35 |
| January 1999 | | | 3.18 | 3.93 | 1.26 |

**UNITED KINGDOM**

| | Narrow Money (M0) | Broad Money (M4) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|
| 1989 | 5.9 | 17.4 | 13.96 | 10.11 | 4.36 |
| 1990 | 5.3 | 15.9 | 14.82 | 11.56 | 5.07 |
| 1991 | 2.4 | 7.9 | 11.58 | 10.08 | 4.97 |
| 1992 | 2.4 | 5.1 | 9.74 | 9.09 | 4.91 |
| 1993 | 4.9 | 3.5 | 5.99 | 7.40 | 4.01 |
| 1994 | 6.4 | 5.1 | 5.57 | 8.01 | 3.94 |
| 1995 | 5.9 | 7.3 | 6.77 | 8.16 | 4.15 |
| 1996 | 6.7 | 10.0 | 6.11 | 7.79 | 4.08 |
| 1997 | 6.2 | 11.2 | 6.94 | 7.02 | 3.59 |
| 1998 | 6.1 | 9.8 | 7.41 | 5.52 | 3.03 |
| 1st qtr.1998 | 6.8 | 10.5 | 7.55 | 6.02 | 3.05 |
| 2nd qtr.1998 | 6.2 | 9.9 | 7.57 | 5.80 | 2.88 |
| 3rd qtr.1998 | 6.0 | 9.5 | 7.67 | 5.50 | 3.06 |
| 4th qtr.1998 | 5.3 | 8.6 | 6.87 | 4.79 | 3.13 |
| February 1998 | 7.1 | 10.8 | 7.53 | 6.02 | 3.02 |
| March | 6.6 | 10.0 | 7.57 | 5.96 | 2.89 |
| April | 6.7 | 10.8 | 7.51 | 5.80 | 2.82 |
| May | 6.3 | 9.7 | 7.48 | 5.84 | 2.84 |
| June | 5.5 | 9.4 | 7.72 | 5.77 | 2.90 |
| July | 5.8 | 10.2 | 7.80 | 5.84 | 2.87 |
| August | 6.2 | 9.0 | 7.74 | 5.54 | 3.10 |
| September | 5.9 | 9.2 | 7.47 | 5.10 | 3.29 |
| October | 5.4 | 9.2 | 7.20 | 4.98 | 3.34 |
| November | 4.8 | 8.4 | 6.97 | 4.91 | 3.05 |
| December | 5.8 | 8.1 | 6.44 | 4.49 | 3.00 |
| January 1999 | | | 6.99 | 4.26 | 2.88 |

Monetary growth rates show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

هكذا من الأصل

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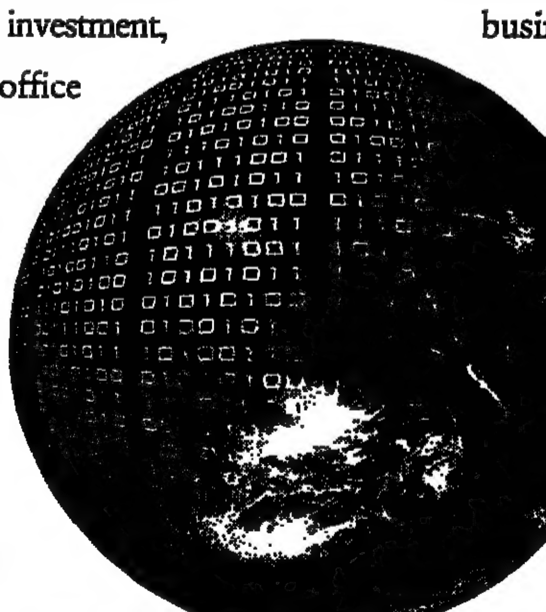

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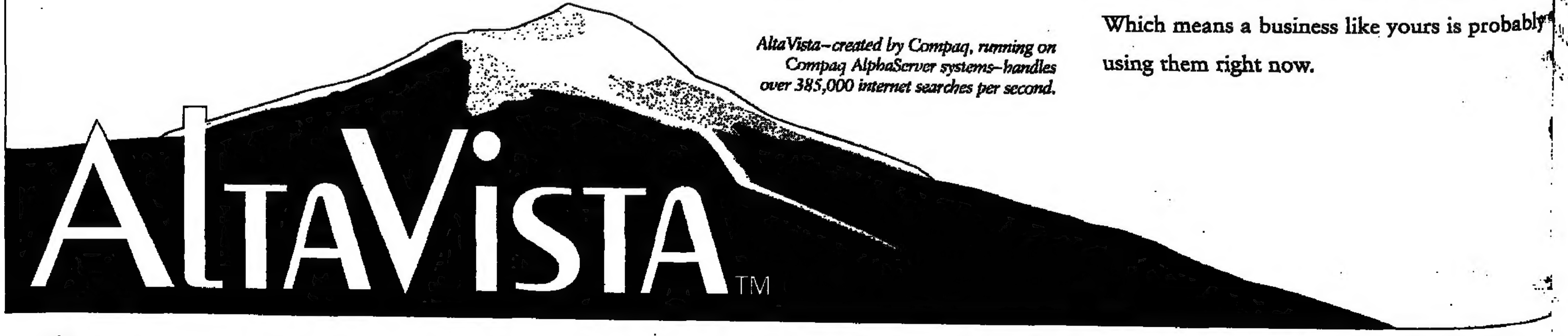


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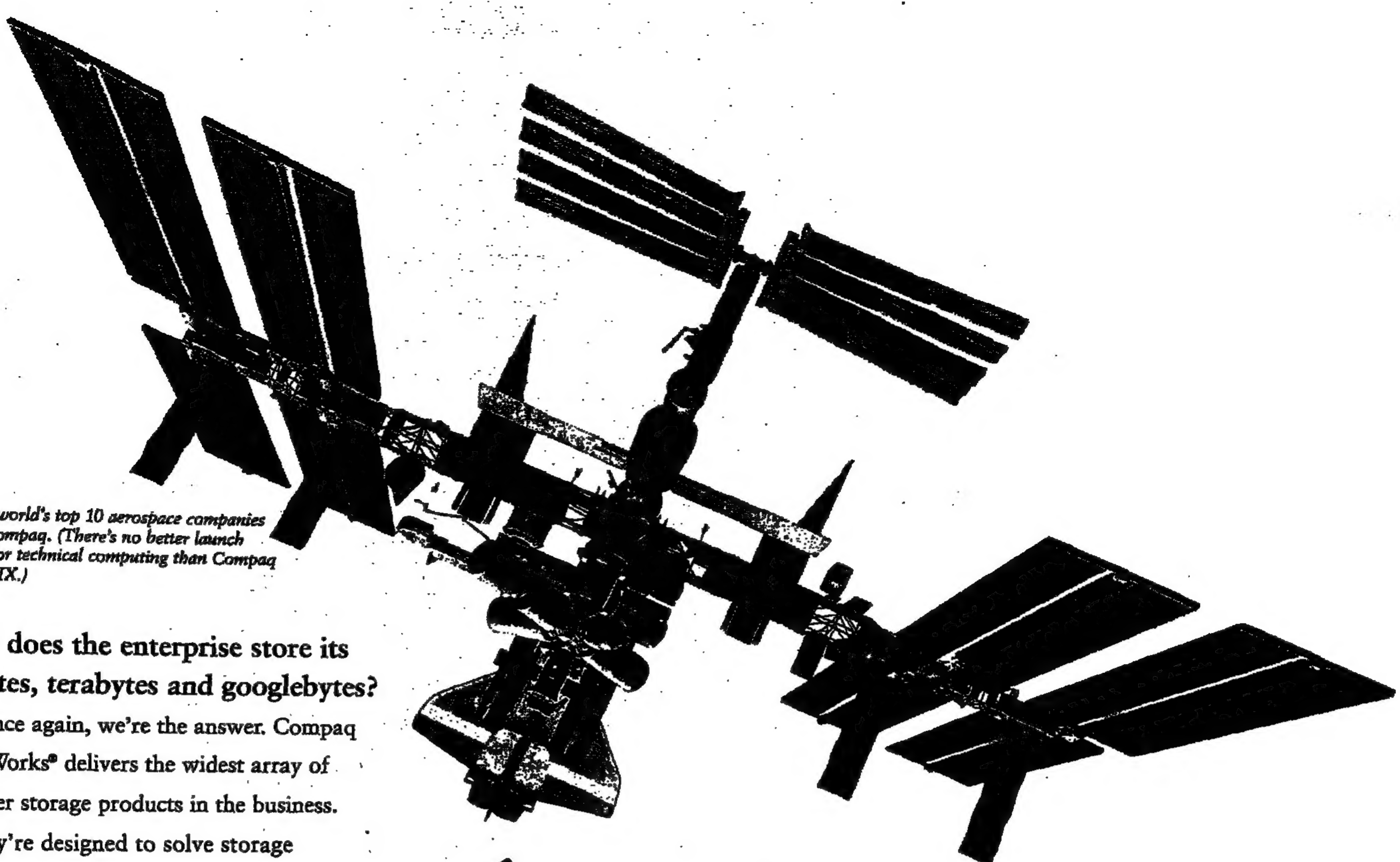

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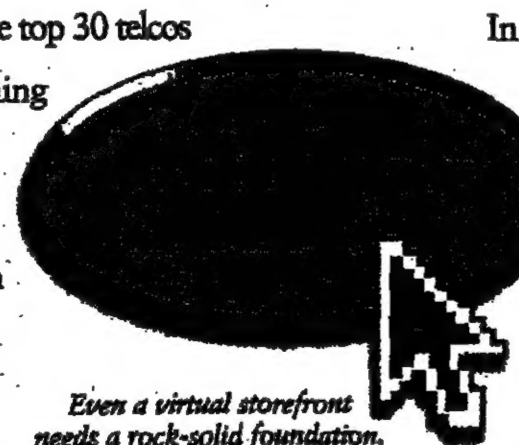

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**IMPEACHMENT** PROSECUTORS' APPEAL FALLS ON DEAF EARS AS SENATORS FOCUS ON DRUMMING UP SUPPORT FOR CENSURE MOTION

# Republicans in plea to convict Clinton

By Mark Suzman in Washington

Republican prosecutors yesterday made a final, impassioned appeal to the Senate to convict President Bill Clinton and throw him out of office, insisting he had committed grave, impeachable offences in covering up his affair with Monica Lewinsky.

In a series of brief closing statements, the 13 trial "managers" from the House of Representatives repeated their argument that Mr Clinton had committed perjury and obstructed justice. They warned that if he was not convicted the constitution would be seriously damaged.

James Sensenbrenner, a Republican congressman from Wisconsin, said that the prosecutors were not pursuing a political vendetta against Mr Clinton but believed in the need to protect the rule of law in US society.

"The impact of allowing the president to stand above the law will be felt for generations to come," he warned.

But the assembled senators appeared more interested in planning what should follow Mr Clinton's expected acquittal than listening one more time to a recital of the allegations against him. With both charges expected to fall well short of the two-thirds majority required for conviction, Democrats are trying to drum up Republican support for a censure motion that would allow the Senate to condemn Mr Clinton's behaviour even if they do not remove him from office.

Tom Daschle, Senate minority leader, said he hoped to be able to bring up the censure proposal as soon as the trial ended. However, under the body's complex procedural rules that would require unanimous consent and at least one Republican – Phil Gramm of Texas – has warned he would try to block any such attempt on the grounds that it was unconstitutional.

The White House said that any decision about censure was the prerogative of the Senate and that it would not try to interfere. Mr Clinton's lawyers also indicated that they expected to keep their closing arguments – which were due to follow the prosecutors – as short as possible.

The Senate is expected to begin deliberating the case tomorrow with a final vote expected as soon as Thursday.

Although Democrats and some Republicans favour making the proceedings public, it remained unclear yesterday whether a formal proposal to do so would be approved by the full Senate.

Two senators – Pat Leahy of Vermont for the Democrats and Ted Stevens of Alaska for Republicans – missed the closing arguments to join the US delegation to King Hussein's funeral in Jordan.

However, they were expected to be back in Washington in time for the start of final deliberations this morning.

# Ottawa pact puts Quebec further out on a limb

By Edward Alden in Toronto

The unravelling of Canada's already fragile federation could prove to have been hastened last week by a move specifically designed to tie the provinces closer to Ottawa.

The federal government and the nine English-speaking provinces signed a three-year pact spelling out rules for federal and provincial co-operation on social programme spending. While not a formal constitutional amendment, it will have the identical effect of setting out the rights and obligations of the two levels of government in some of the most important areas of public policy.

But French-speaking Quebec refused to be part of that arrangement, calling it an unwarranted extension of Ottawa's authority into provincial jurisdiction.

The province once again finds itself isolated from the rest of the country, much as it was in 1982 when it refused to sign the new constitution agreed by Ottawa and the other provinces. Even Jean Charest, Quebec opposition leader and a close ally of the federal Liberals, said he would not have signed the agreement.

The undertaking is meant to resolve a continued source of tension between the two levels of government: while health, education and welfare spending all fall under provincial jurisdiction, Ottawa collects the lion's share of tax dollars and has used that money to assert national priorities in those areas.

Quebec and the other provinces were particularly annoyed by the so-called millennium fund set up last year, which will offer federal aid directly to university students across the country.

Last week's deal, sweetened by Ottawa's promise to restore several billion dollars in cuts to healthcare spending, for the first time formally acknowledges the federal government's right to establish national social programmes without provincial consent. In the case of shared-cost programmes, at least six of the 10 provinces must agree before a new initiative is launched.

Quebec had demanded the right to opt out of such initiatives with full financial compensation, meaning that Ottawa would have been obliged to hand money over to the provinces without any influence on spending.

In winning assent for a stronger role from all but one province, Ottawa is now hoping to reverse what it sees as a gradual erosion of national standards.

British Columbia, for instance, several years ago enacted a three-month waiting period for out-of-province migrants who seek to collect welfare, a move meant to stem the flow of welfare recipients from colder parts of the country. That resulted in a clash with Ottawa before the province finally withdrew the waiting period.

Provincial governments have also been restricting student loans to provincial residents who study within the province, discouraging university students from leaving their home province.

While the cracks are still rather small, Ottawa feared that without a clear agreement, the provinces would continue to enact measures favouring their own residents at the expense of other Canadians.

Robert Howse, a University of Toronto expert on federal-provincial relations, thinks the agreement is a creative response to one of the fundamental dilemmas of Canadian politics: how to satisfy Quebec's demands for greater autonomy without severely weakening Ottawa's authority in the rest of the country.

But the day after the agreement was signed, Ottawa was not exactly holding out an olive branch to Quebec. Stéphane Dion, the federal minister of intergovernmental affairs, said if Quebec did not want to participate in future shared-cost programmes, it was under no obligation to do so. But neither, he pointed out, would Quebec get any money from Ottawa.

Jean Charest: would not have signed agreement — Reuters

# Further blow for Mexico's PRI

By Andrea Mandel-Campbell in Mexico City

Mexico's Institutional Revolutionary party (PRI) lost yet another state governorship to the leftwing opposition in elections over the weekend, raising the prospect of defeat in upcoming presidential elections in 2000.

According to preliminary electoral results, Leonel Cota Montaño, candidate for the opposition coalition led by the Democratic Revolutionary party (PRD), held a 20 percentage point advantage over his leading PRI rival for the governor's seat in Baja California Sur. The more conservative National Action party (PAN), was nearly wiped off the electoral map, taking less than 7 per cent of the vote despite previous strong showings in the state.

Mr Cota Montaño, a former member of the PRI, defected to the opposition, taking several party supporters with him, after losing the PRI nomination for governor. The one-time mayor for the capital of La Paz is the third PRI member in recent months to go on to win a state governorship for the rival PRD after protesting about the party's undemocratic process for choosing candidates.

Despite assurances by President Ernesto Zedillo to make the PRI more democratic, party nominations have fallen prey to internal manipulation, say dissident members. In Baja California Sur, Mr Cota Montaño claimed the PRI's candidate won the nomination with the tacit backing and financial support of the current governor. Nonetheless, the PRI managed to narrowly hang on to the governor's seat in the state of Guerrero in a second election on Sunday. The PRI's candidate, René Juárez Cisneros, led the PRD by a slim 4.6 per cent margin according to preliminary results.

The hotly contested elections have shown the first significant challenge to the PRI. The close results, however, raise the spectre of violence in the state, where electoral outcomes are often thought to be manipulated. The Popular Revolutionary Army (EPN), a guerrilla group based in Guerrero, has threatened to take up arms again if there is any evidence of vote tampering.

# Brazil suffers hangover after dollar borrowing binge

The sharp fall in the Real following last month's flotation has turned cheap consumer loans into an expensive nightmare with financial institutions facing huge losses. **Richard Lapper** reports

A binge of borrowing over the past few years by Brazilians with a newfound confidence in the future has landed the country's financial system with a multi-million dollar headache.

Attracted by the lower interest rate than that for the Real, middle class Brazilians borrowed US dollars liberally to pay for cars, fridge-freezers and personal computers. When the Real was forced to float last month and fell sharply, servicing the debt became a nightmare.

Now Brazil's financial institutions face huge losses on the estimated 40 per cent of their loans that are tied to the dollar in this way.

Celina Vansetti, senior banking analyst at Moody's Investor Services, the credit rating agency, says non-performing consumer loans could amount to about 30 per cent – some R$8bn ($4.3bn) – of the total advanced by banks, financing and leasing companies. She says personal consumer loans and leasing amounted to about 3 per cent of gross domestic product at the beginning of 1998, up from 1 per cent in 1994.

Non-performing loans have been increasing since October 1997, when Brazil was first hit by the crisis in south-east Asia.

"The situation is now much worse than it was before," she says.

"People with dollar-indexed loans are very worried," says Marcelo Medeiros, a São Paulo-based lawyer, many of whose clients are seeking to renegotiate their loans. "From my point of view the more problems the better but many people are in difficulty."

Daniela Hammarat, a 27-year-old lawyer, for example, borrowed $21,000 to buy her first car nearly two years ago. She says the fall in the value of the Real has increased the amount of her monthly repayments from R$950 to R$1,600 a month. "I didn't pay the instalment for February because it's a very big increase and we can't afford it."

Mr Madeiros says that few borrowers sought financial advice before contracting dollar loans. Even more sophisticated borrowers were caught out by the scale of the devaluation.

The Real fell from R$1.2 to as low as R$2.1 to the dollar before recovering to around R$1.80 over the past few days.

Brazil's embryonic consumer finance market has grown rapidly in recent years.

The country's financial problems have been deteriorating for more than a year but until last month many Brazilians were still enjoying the relative economic stability ushered in by President Fernando Henrique Cardoso's Real plan in 1994.

With their currency loosely pegged to the dollar and inflation falling to its lowest levels for decades, newly confident Brazilians provided a ready market for banks, finance and leasing companies eager for opportunities to expand.

"Everybody was doing this as a business strategy," says Ms Vansetti, at Moody's. "Making loans was easy and many people went into dollar contracts."

Analysts say Brazilian bank are well provisioned against losses but suggest that some smaller lenders – who have grown rapidly in this market segment – could be vulnerable.

To make matters worse for the banks, some Brazilian judges have ruled that borrowers can make repayments at the exchange rate that existed when they took out loans. And last week Brazil's government entered the fray when Renan Calheiros, the justice minister, presented a proposal to the Leasing Companies Association that contracts be frozen until April at the R1.21 to the dollar rate of the end of the year.

"The borrowers are saying we contracted debt based on certain assumptions and we are not going to pay for ... this craziness," says Liege Andre, an insurance agent who has several leasing companies among her clients. "This will be a hell of a fight."

## NEWS DIGEST

**US DRUGS STRATEGY**

### Clinton outlines plan to halve problem by 2007

The Clinton administration yesterday outlined a plan to halve the US's drug problem by 2007. Vice-president Al Gore said the strategy would provide hope for youngsters, treatment for prisoners and would crack down on traffickers.

Mr Gore said drug use by adults was half its 1979 level "but when drug dealers still roam our streets and rob our children of their dreams, and drug-related crime still ravages so many of our neighbourhoods, we know that we have barely begun."

The plan includes nearly $18bn to be spent this year by the federal government. In a message to Congress, President Bill Clinton said that among the positive signs was a growing view among young people that drugs were risky and a continuing decline in cocaine production overseas.

The five parts of the administration plan are educating children, decreasing the addicted population, breaking the cycle of drugs and crime, securing US borders from drugs and reducing the drug supply. AP, Washington

**VENEZUELA CORRUPTION**

### Chávez reforms security force

Hugo Chávez, who has been Venezuela's president for only a week, yesterday launched an overhaul of the national security force in an early effort to fulfil his campaign pledge of ending corruption and wasteful spending in public institutions.

The state security force, Disip, yesterday withdrew some 400 police officers largely acting as personal bodyguards and chauffeurs for politicians and former public employees, some of them Mr Chávez's political adversaries.

Among the congressmen stripped of their personal sentinels is Henry Ramos Allup, head of the congressional faction of the social democratic Accion Democratica (AD) party, which Mr Chávez has accused of corruption and misspending public funds during decades of government.

The Chávez government insists the move will save several million dollars annually and forms part of its plans to cut spending and bureaucracy. Yet many, particularly in the business community, fear Mr Chávez's direct confrontation with political parties and elites could be a source of instability in coming months. Raymond Colitt, Caracas

**FILM DISTRIBUTION**

### US to probe studio tactics

The US Justice Department is investigating film distribution tactics used by leading studios to capture big opening-weekend audiences and generate the headlines which attract even more viewers in the following days and weeks.

Department officials said letters sent to the studios and cinema chains last week were the first stage of a probe into "possible anti-competitive" practices.

The marketing ploys include the granting of exclusive exhibition rights in specific regions, and package deals in which a cinema chain can show a likely hit if it also agrees to screen films with a less certain future.

The department letter, which asked for details of deals over the past three years, also asked for information about the studios' financial interests in cinema chains. The questioned practices have evolved in recent years as news stories of box office revenues – big numbers are commonly interpreted as signalling a hit – have tended to supersede critics' reviews as the main factor influencing consumers' choices.

Specialist and some consumer media now use early ticket sales data to declare films hits or misses within days of their launch. As a result, the traditional definition of a "wide" opening – on 800 or more screens – has now expanded to encompass 2,000 or more screens. Christopher Parkes, Los Angeles

**FINANCIAL STATEMENTS**

### Stringent safeguards urged

The boards of American companies should adopt more stringent safeguards to ensure the quality of their financial statements, a high-level panel set up by Securities and Exchange Commission said yesterday.

The new controls have already received strong support from the New York Stock Exchange and the National Association of Securities Dealers, which operates the Nasdaq stock market, making it likely that companies will eventually be forced to follow them.

The proposals mark the latest phase in the campaign by Arthur Levitt, chairman of the Securities and Exchange Commission, to boost the quality of American financial statements.

Yesterday, a committee set up by the SEC last September produced 10 recommendations for how companies should set up and run their audit committees – the board-level groups whose job it is to make sure that financial statements are complete and accurate.

These include a requirement that all members of the committee should be totally independent from the company, and a rule that members of the committee should be "financially literate". Richard Waters, New York

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THE ECONOMY POOR PERFORMANCE MAY HAVE UNDERMINED OVERALL GROWTH IN FINAL QUARTER OF LAST YEAR

# Factory output falls in December

By Richard Adams and Christopher Adams

A dismal December for the manufacturing sector may have undermined overall economic growth during the final quarter of last year.

Factory output fell 0.6 per cent in December, compared with a year earlier, according to the Office for National Statistics.

Manufacturing activity fell by 1.3 per cent in the fourth quarter compared to the third, while overall industrial output shrank by 0.9 per cent in the same period.

Garry Young, senior research fellow at the National Institute of Economic and Social Research, said the figures pointed to slower growth in the fourth quarter than the initial 0.2 per cent increase in GDP estimated by the ONS.

"Overall, the picture is flat, rather than showing a decline in GDP. That is still consistent with a soft landing scenario," Mr Young said.

The institute now estimates there was no growth in output during the fourth quarter and growth of just 0.1 per cent in the three months to January, calculated at market prices.

The ONS said 11 out of 14 manufacturing categories showed lower output in December. Textiles, metal products and transport equipment turned in the worst performances. One of the few bright spots for industry was the expanded production of mobile telephones, thanks to their popularity as Christmas presents last year.

Manufacturers' profits were also pinched, as the price of goods leaving the factory gate also dipped. The ONS revised down output prices to a yearly fall of 0.1 per cent in December, after initial estimates that prices were static.

The December revision means that 1998 saw the first year-on-year fall in the sales price of manufactured products in the UK since records began in 1968.

Consumer spending continues to help support the economy.

In its monthly survey, published today, the British Retail Consortium says the value of sales in January rose 2.5 per cent in January from a year ago.

The buoyant performance – the biggest increase since May last year – was helped by bargain-hunters as steep discounting in the New Year sales attracted reluctant shoppers.

Ciaran Barr, UK economist at Deutsche Bank, said the best news for the economy was the apparent slowdown in wages growth during January. Income Data Services' pay databank showed the average growth in pay has fallen below 4 per cent for the first time since July.

# BASF chief aims to get the chemistry right in shake-up

Don Yarborough is using technology and empowerment to restructure working practices at the English plant. **Chris Tighe** talks to him

Many UK plants face the problems of oversupply and price pressures that have prompted BASF, the German chemicals company, to undertake a business process re-engineering project at its site in north-east England.

It hopes the project at its Seal Sands site will secure its future despite tough global market conditions for its product, acrylonitrile.

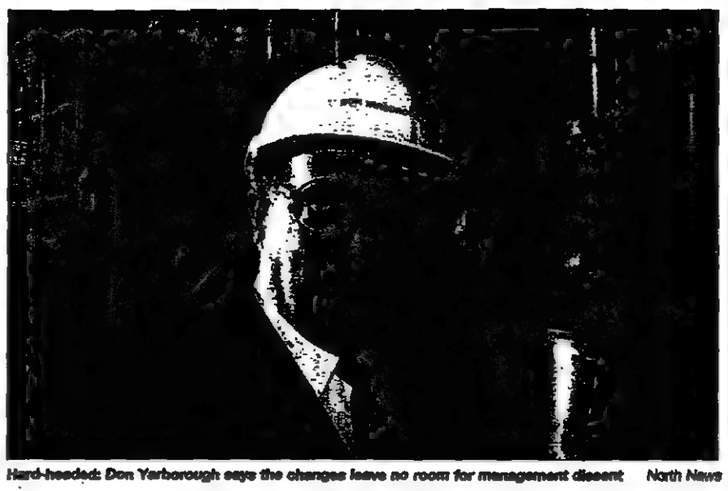
But Don Yarborough, the Seal Sands' director, is unimpressed by conventional approaches to redundancies. "It takes the ones at the bottom and chucks them out, then at the top of the economic cycle they creep back in; it doesn't change the way the work is done, make things more efficient," he explains.

Mr Yarborough arrived in the north-east almost a year ago from the US, where he had implemented business process re-engineering at BASF's plants in Freeport, Texas, and Wyandotte, Michigan. He is an enthusiast for change and a passionate believer in business process re-engineering, the restructuring method championed in *Re-engineering the Corporation; a Manifesto for Business Revolution*, the 1993 book co-authored by Michael Hammer. "In business process re-engineering you take the work, completely tear it apart, then you introduce technology, empowerment, no demarcation," he says.

The revolution has gripped the 30-year-old Seal Sands plant and its long-serving workforce.

The announcement last month that 260 of the site's 630 jobs are to go has dealt a blow to morale.

These redundancies stem from a radical site appraisal by "design teams" – cross-functional groups of employees working full-time on the process since August – and anxiety is mixed with other tensions.



Hard-headed: Don Yarborough says the changes leave no room for management dissent North News

In addition to the redundancies, the familiar jobs hierarchy is to be replaced by "process owners", "coaches" and self-directed teams of employees.

At Seal Sands Mr Yarborough found a site that had made multi-million pound losses for the past two years – BASF declines to reveal how much – and was projected to do so for the next three.

He held discussions with senior management and, having enlisted his superiors' support, took senior managers to the US for a week's training.

Any lingering doubts over the process among the managers were ironed out in June. "Had they not agreed, they would have had to leave the management team," Mr Yarborough says.

The project selected its design team in August, from all employee levels. They knew the site's heavy losses meant it was unlikely to survive without change.

Not all employees are impressed. "They're taking a group of people from the shop floor, giving them seven days' training in Boston, then putting the future of the site and the workforce in their hands," says one. "It would have been better to let the managers sort it out."

But the TGWU, the trade union, disagrees. Mike Brider, the local official, applauds the principles of self-directed teams and employee involvement in big decision-making.

Mr Yarborough insists the site has a future and £30m ($49m) capital expenditure is planned in the next three years. He also has faith that employees will become converts to business process re-engineering.

# Interest rate cuts boost fund managers' optimism

By Jane Martinson, Investment Correspondent

Fund managers in the UK have become markedly more optimistic about the domestic economy, largely as a result of falling interest rates.

A third of UK managers surveyed in a poll published yesterday by Merrill Lynch, the US investment bank, believe the economy will improve over the coming year. This compares to a low of 3 per cent in September.

Trevor Greetham, global strategist at Merrill Lynch, said: "The agenda is moving very rapidly away from whether there will be a recession towards how strong the upturn will be."

The survey – of UK managers with total assets of £1,337bn ($2,182bn) – was carried out by Gallup, the market research group, just before last week's 50 basis point cut in interest rates.

The base rate cut is unlikely to have been enough, according to most of the fund managers. The consensus forecast for rates next year is 5.1 per cent, down from 5.5 per cent today.

The survey covered 297 institutions worldwide, with assets totalling $6.252bn. It found increased levels of economic optimism around the world over the past month.

Perhaps most significantly, eight out of 10 US fund managers expect last month's Brazilian devaluation to have no impact on domestic growth and corporate earnings in the US. This confidence suggests fund managers believe the US stock market's ability to shrug off turmoil in Asia and Russia will be repeated closer to home.

"US managers are beginning to think the US is immune to everything," said Mr Greetham yesterday.

In contrast, 36 per cent of the fund managers questioned in Japan thought Brazil would have a significantly negative impact on the US economy.

The average earnings forecast for UK companies in 1999 has risen from 0.8 per cent to 1.6 per cent in the past month.

Fund managers expect this to rise to 5.2 per cent next year.

The number of UK fund managers expecting an upturn in the economy is still down from the beginning of 1997, however. Few fund managers, 6 per cent, expect a rising inflation rate in the UK.

# Ireland parties snub call for US mediation

By John Murray Brown in Dublin and Jimmy Burns in London

The British government yesterday launched a series of meetings with Northern Ireland political parties to seek a formula to end the dispute over paramilitary arms that threatens to derail the peace process.

Politicians on both sides dismissed a suggestion from Mary Harney, deputy prime minister of the Irish Republic, that George Mitchell, the former US senator, should be invited to help resolve the dispute. The Ulster Unionist party, the biggest pro-British party in the region, said it would not take up its seats if the government moved to set up the new Northern Ireland administration without IRA decommissioning.

Ms Harney, speaking during an Irish republic trade promotion trip to Australia, said: "It may well come to an American intervention to resolve outstanding differences."

Mr Mitchell, a former Democrat majority leader in the Senate, chaired talks that led to the April 1998 peace agreement.

"We have to call on those who have had the capacity in the past to deal with situations like this," Ms Harney said. "It may well be time for Senator George Mitchell to deal with these negotiations."

The suggestion was rejected by Gerry Adams, president of Sinn Féin, the political wing of the Irish Republican Army, and David Trimble, first minister in the new administration and leader of the UUP.

A senior UUP official said it would seek to have Sinn Féin expelled. If that failed because of a lack of support from the moderate nationalist SDLP, the UUP would call for a review of the agreement. Mr Trimble said he did not expect Sinn Féin to "finally discharge their obligations until the last minute".

But he said it was important the two governments increased the pressure on the republicans ahead of the March 10 deadline for transferring powers to the new institutions.

Mr Trimble is facing a party executive meeting this weekend and unionist opinion has hardened, alongside the upsurge in paramilitary violence.

# Trade unions step up pressure for euro participation

By Robert Taylor, Employment Editor

The question of UK participation in the euro "will become increasingly pressing", says John Monks, the general secretary of the Trades Union Congress, in a forthcoming report on preparing the UK for the common currency.

"The euro is not just another foreign currency," writes Mr Monks, warning it will make an increasing impact on investment, company restructuring and jobs in the UK.

The TUC has been pressing for early accession to the newly-formed euro-zone of 11 of the 15 European Union states. It is planning a spring conference on the issue and further debate at the TUC's September congress.

The document, which mainly spells out the practicalities of Emu and its impact on the UK, highlights the difficulties facing the UK economy as long as it remains outside the euro.

The TUC partly blames the high exchange value of the pound on the fact that the UK is "not expected to enter Emu until some time after 2001-02 at the earliest". It adds that the 11 countries in the euro-zone are "unlikely to accept as a member any country whose currency is subject to violent swings".

The report also warns that "any attempt by the UK to engage in competitive devaluation of the pound against the euro would attract heavy reactions against us irrespective of obligations under EU single market rules and would in turn undermine further our attractiveness for inward investment, which is already weakened by our non-participation in the first wave".

The TUC believes the arrival of the euro will intensify the development of social policies designed to protect workers and tackle unemployment. It also believes moves will be made towards Europea-wide collective bargaining. "Cross-border areas are likely to be among the first to see the effects of the introduction of the euro on wages," says the report. "Wage comparability, once workers are paid in the same currency, will be transparent and this will affect workers in European multinational companies."

The TUC recognises "differences in productivity levels and in the rate of productivity increases between countries, regions and sectors will feature in European wage developments", so it will be hard to predict the pace of Euro-bargaining. But the TUC believes UK trade unions must prepare themselves for this.

## NEWS DIGEST

ROYAL COURT OF JERSEY

### Trust chief jailed for 5½ years after admitting fraud

A trust administrator who defrauded clients of £2.75m ($4.5m) over 12 years was jailed for 5½ years yesterday by the Royal Court in Jersey, the biggest of the Channel Islands between England and France. Raymond Bellows, 65, pleaded guilty to 27 charges of fraudulent conversion and one of obtaining money by false pretences. The court heard that Mr Bellows used the money to fund his lifestyle and invest in a number of unsuccessful schemes, including a Swiss hotel in Glarus which has since failed. The court heard that Mr Bellows had control of clients' funds and was able to authorise payments from their accounts. He took £5.1m from 42 client trusts and companies, using half the money to restore some of the defrauded accounts.

His scheme was discovered by Clive Guillou, co-director, in 1996 but that did not stop Mr Bellows obtaining a further $500,000 by false pretences from the Midland Bank the following month. He told the bank he needed the money to repay a loan used to invest in a book and CD-Rom business. In fact, he used it to repay a client account he had defrauded in an attempt to avoid detection. The court said that the offshore centre's reputation and integrity were of paramount importance. Mr Bellows' counsel asked for a sentence of five years saying his clients' age, previous good character, and full co-operation should be taken into account. **Philip Jeune, Jersey**

ROYAL AUTOMOBILE CLUB

### Legal actions 'may deter bids'

Dissident members' legal actions against the Royal Automobile Club could deter some companies from bidding for its motoring services arm, sources close to the deal said yesterday. Five legal actions are under way against the RAC – four in the UK and one in the US – by overseas and retired members and widows of members. They are angry at being excluded from a payout of up to £35,000 ($57,400) from the disposal of the RAC's motoring services division. This could mean the RAC being forced to settle for a stock market listing valuing it at an estimated £330m, compared with £400m or more that a trade sale might be expected to raise. The RAC last week unveiled plans to seek a listing, while continuing to seek a trade sale. A ruling from the Monopolies and Mergers Commission has effectively ruled out a sale to Cendant, the US business and consumer services group.

Cendant would have been forced to sell its Green Flag motoring arm, defeating the object of purchasing the RAC business. **Charles Batchelor, London**

OCCUPATIONAL PENSIONS

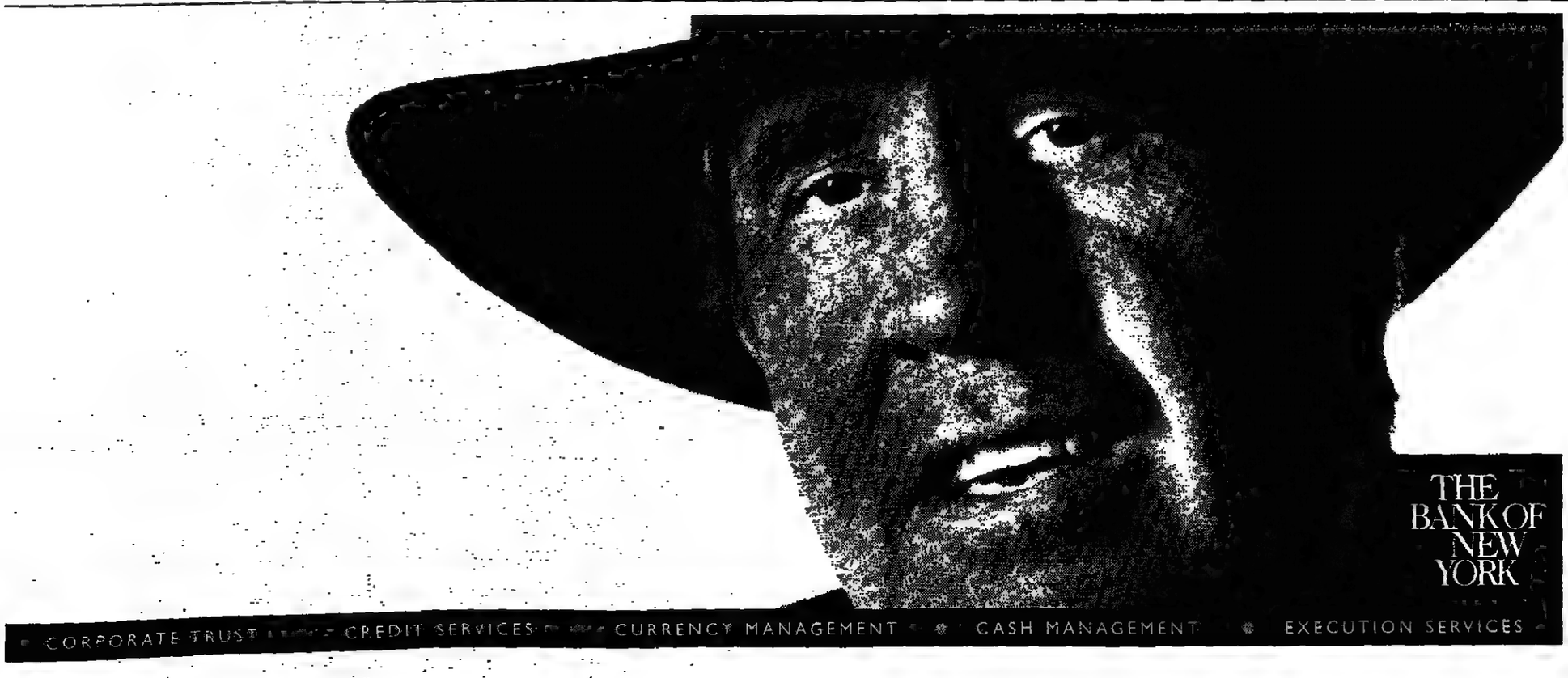
### Study highlights jobs risk

Men with final-salary occupational pension schemes run a greater chance of being thrown out of work in their late fifties than those without, a study of unemployment among older men has found. "Occupational pensions are associated with lower employment rates among people in their 40s, 50s and 60s," says the study from the Centre for Analysis of Social Exclusion at the London School of Economics. "Pension scheme membership makes it more likely that people on higher earnings will be offered early retirement by employers trying to reduce the costs of making salary-related pension contributions," the study concludes. "People with above-average wages but no occupational pension have the lowest risk of being displaced." The sharp decline in employment among the over 55s – 40 per cent now in the UK are without work – means pension provision is being hit two ways: people are progressively living longer and therefore needing more retirement saving just as working life, and thus the time to pay for pensions both publicly and privately, is contracting. **Nicholas Timmins, London**

CAR IMPORTS

### Lada poised for comeback

The Lada car is to return to the UK this year after two-year absence. Thanks to improvements in car design and the devaluation of the rouble, Avtovaz, the giant Russian manufacturer, believes the Lada is ready for a comeback. Avtovaz sold more than 20,000 cars a year in the UK in the 1980s, before sales collapsed in the face of competition. Avtovaz said the new VAZ 2110 model would be exhibited at a motor show in London in June. The first Lada was sold in the UK in 1973 and enjoyed a cult following among frugal drivers. But the Lada's rapidly-ageing design and reputation for unreliability turned it into a comedy legend. **John Thornhill, Moscow**



TIM JACKSON
**ON THE WEB**

# Healthy margins in the long run

Internet retailers that survive the coming consolidation of the sector should reap substantial rewards

Unless you are an accountant, you may be tempted to stop reading right here. But pause before you do so. The valuations of many internet businesses, particularly those that use the web to sell things to consumers, depend on two assumptions: galloping growth as far as the eye can see, and gross margins that sustain or improve over time.

From Amazon.com downwards, many companies have convinced investors that their inability to make money now does not matter – because it is easier to build a big, profitable business from one that is big but unprofitable than from one that is small but profitable.

If their ability to deliver acceptable long-term margins is in doubt, however, internet retailers look like an unattractive investment – because the expected future stream of earnings on which all share prices depend suddenly begins to look a great deal smaller.

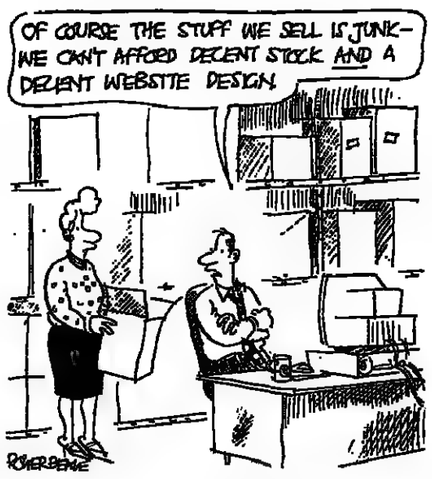
A growing number of commentators have become doubters. They argue that as the internet matures, even retailers as strong as Amazon.com will find it impossible to sustain current margins, let alone increase them.

Support for this pessimistic view can be found at the web site *www.onsale.com*. Onsale, a leading online auctioneer, enjoyed one brief quarter of profitability immediately before it went public in spring 1997, but has not made money since. The company's latest approach to improving its margins is a new service called "stCost", in which the company sells products to customers at its own cost price, as guaranteed by a big accounting firm, adding on only a "processing fee" of up to $10 per item which it claims represents its profit on the transaction.

To be fair, it isn't quite at cost. Onsale should also be able to squeeze some margin from a 2.4 per cent credit-card surcharge (compared with 1.6 per cent or less for many big retailers), from advertising on its web site, and from full-rate UPS shipping (compared with the heavily discounted prices paid by customers of its size).

Another online retailer, Buy.Com, has abandoned the quest for traditional retail margins altogether. Instead, the company sells a range of products, from books to computers, effectively at wholesale prices, making its money from web advertising and from fees paid by the big distributors to whom it channels fulfilment of customers' orders.

Buy.Com's unusual model has been rewarded by a quick increase in sales – the fastest in history, the company claims – and an equally quick increase in the price venture capitalists have paid for its shares. Softbank Holdings, which has many successful online investments, acquired 10.25 per cent of the company for $20m last August through an affiliate, and then paid $40m for another 9.9 per cent barely a month later.




Do businesses like these prove that retail margins on the web will go the way of charges for public toilets? Not necessarily. It is true that these two companies are pioneering a new business model, where the inventory stays with the wholesaler and the retailer is merely an aggregator. But this is little different from modern department stores, which are not so much retailers as property companies that rent out highly priced branded space to multiple boutiques.

Web investors need to remember two key underlying facts. First, the barriers to entry in web retailing are high and rising. Except for a tiny number of ideas that are new enough to get free publicity, most new web businesses need to spend heavily on marketing to be heard above the background din.

Second, customers care about more than just price. Consistently good service and easy web site navigation are both expensive and difficult to achieve. Buyers will give a new retailer only a matter of seconds before losing patience with bad page design; and two orders where the package fails to arrive on time are usually enough to lose an account.

On the web, brand takes the place of geographical proximity. When you want to buy a pack of Frosties at midnight, you are more likely to buy from the local convenience store than to scour the entire city looking for the cheapest cereal. Likewise, someone who wants a book in a hurry will be more likely to buy from a web site whose name they remember, like Amazon.com, than from a slightly cheaper competitor whose delivery promises may not be met.

To be fair, buyers are much more price sensitive when buying occasional big-ticket items; that's why margin erosion will probably always be more intense on computers than books.

But as I see it, the worries about web retailers' margins are evidence of an accelerated move through the typical life cycle of a new industry. Innovation of the new service, selling over the web, is now being followed by intense price competition. Market consolidation will not be in full swing until large numbers of e-commerce businesses shut after burning through tens of millions of dollars of investors' money.

But when consolidation is complete, the cost of setting up a web retailing operation will probably have risen from the tens to the hundreds of millions of dollars. And the margins of the fighters left standing might not be too bad.

*tim.jackson@pobox.com*

We are extending our horizons

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## INFORMATION TECHNOLOGY BRIEFS

### Easy-to-read display for Palm challenger

Palm PCs running Microsoft's Windows CE operating system represent a potential challenge to 3Com's highly successful Palm unit which dominates the pocket PC market.

Now Microsoft has added colour support to its Palm PC operating system, enabling Hewlett-Packard to launch the Jornada 420 which it claims is the first Windows CE palm-sized PC to have an easy-to-read colour display.

HP says the 256-colour, 240 x 320 pixel screen markedly improves readability over previous monochrome models and that its light weight, 250g (8.81oz) and compact size – 13cm by 8.1cm by 2.2cm (5.1in by 3.2in by 0.9in) – allows it to be carried easily.

A configurable start button permits quick, single-handed use, and a transparent flip-up cover protects the screen. The Jornada 420 is expected to cost £399 ($658) when it goes on sale in some European countries next month.
*www.hp.com/jornada*

### Quick set-up microserver

As corporate intranets and use of the internet expand, the demand for low-cost servers and server appliances continues to grow.

Cobalt Networks, a start-up company in Mountain View, California, founded in 1996, spotted the opportunity for a range of microserver machines designed to "offer a complete, easy-to-use set of communication and collaboration services at truly affordable prices".

The company's new Cobalt Qube 2 comes pre-configured with the Linux 2.0 operating system which the company claims means it can be set up from its box in under 15 minutes. It comes with application software including Apache 1.3 web server together with e-mail, file sharing and discussion group software.

Net gains: Cobalt Qube which can be set up in 15 minutes

Other out-of-the-box Cobalt machines include an ISDN Qube which includes an ISDN router communication device and Cache Qube designed to optimise available bandwidth for internet service providers, businesses and schools.
*www.cobaltnet.com*

### Simpler life on the home front

"Home control" systems for switching domestic-appliances on and off remotely or on a timer have been available in the US for some time and are used by an estimated 5m households.

The technology uses existing household electrical circuits so does not require any re-wiring. A company called Home Control has launched three starter kits in Europe.

The Take Control PC is aimed at the 8.4m households in Britain who own a home PC and enables the user to build "macros" to control devices using a PC-based program.

The Easy Life remote control allows the user to switch 16 appliances on and off while the Free Time controller looks like a clock radio and provides control over up to eight appliances.
*Further information from Corixa Communications, UK: tel 01179493394, fax 01179493395*

### Launch of CD duplicator

Making multiple copies of software or other digital material stored on a CD-Rom can be time consuming and difficult.

However LaCie, the French mass storage specialist, has launched a generation of multi-purpose CD duplicators that simply require a single button to be pushed. The Dupli-121, for example, combines a standalone one-to-one CD duplicator, a multi-read 36x CD-Rom drive and a 4x/8x CD-R (writable CD-Rom) drive.

The machine takes just 18 minutes to copy a full CD. The Dupli-121 costs £700.
www.lacie.com

### Organiser gains data input

Franklin Electronic Publishers, Starfish Software and Japan's Citizen Watch Company had a surprise hit when they teamed up to produce a credit-card-sized business organiser called the Rex PC Companion last year.

The Rex plugs into a portable PC's PC-Card slot or a docking station attached to a desktop machine in order to download contact names, phone numbers, appointments and other stored data which can then be read back while on the move.

However, the first generation of Rex devices lacked any facility to input data directly. For those that require this facility the manufactures have now launched the Rex Pro. It costs £170 in the UK.
*www.franklin.com/rex*

**Paul Taylor**

## PEOPLE ON THE MOVE

### Fainé to succeed Vilarasau at La Caixa

The succession to the top executive post at La Caixa, Spain's biggest savings bank, has been decided in favour of **Isidre Fainé**, assistant managing director for 16 years.

He succeeds **Josep Vilarasau**, the main architect of the Catalan group's recent expansion, who decided to retire from the post two years early and has been made chairman, a non-executive position.

He in turn replaces **Juan Antonio Samaranch**, the embattled president of the International Olympic Committee, who stood down to make room for him. Samaranch, who was appointed to the powerful Barcelona-based savings bank after the city won its bid to stage the 1992 summer games, insisted that the move was unconnected to the furore over alleged corruption involving IOC members.

Fainé, 56, who trained at Harvard and Barcelona's IESE graduate business school, came to La Caixa after a succession of senior posts in different banks. He is also chairman of motorway concession company Acesa, in which La Caixa is the main shareholder. His board posts include a vice-chairmanship at Telefónica, the telecommunications operator.

The managing director's post is a coveted one in Catalonia, where La Caixa enjoys a high profile not only through its dominant role in the banking sector but also because of its wide-ranging social, educational and cultural programmes.

**Antonio Brufau**, 50, who previously held the same title as Fainé, meanwhile becomes managing director of La Caixa's industrial interests. Brufau, who is chairman of Gas Natural, the gas group, is a relative newcomer at La Caixa – he joined from Arthur Andersen in 1988.
*David White, Madrid*

### CSFB snares Schneider chief

**Didier Pineau-Valencienne**, the veteran French industrialist and one of the few with a spell behind bars on his CV, has made his decision about life after Schneider, the electrical equipment maker he headed for 18 years.

He retires as chairman this month, having handed over the executive reins last week.

After sifting more than 10 international offers (but none, apparently, from French companies), Pineau-Valencienne has opted to become the 10th vice-chairman at Credit Suisse First Boston, the Swiss-US investment bank.

Based in London, he will use his senior contacts to bring in mergers and acquisitions business for CSFB, which, as it happens, does not count Schneider among its clients.

Pineau-Valencienne made headlines in 1994 when Belgian authorities detained him in prison for 12 days after he went to Brussels to help an investigation into alleged financial misdoings at Schneider's Belgian subsidiary.

The investigation that led to the curious episode has never officially been closed but the authorities have been silent on the subject for three years. These days Pineau-Valencienne travels as freely to Belgium as anywhere else.
*Clay Harris, London*

### McLure to build Pictet business

More than a century ago the Morgans, Mellons and Rockefellers set up their own banks to manage their American family fortunes. But these days even the world's wealthiest families baulk at having to establish private banks to manage their family affairs and are seeking to outsource an increasingly complex task.

**Morag McLure**, a Scottish lawyer, has been hired by Pictet & Cie, the Geneva private bank, to expand its "family office" service into Germany, France, Italy and the UK. In the US there are 2,500 private "family offices" specialising in managing private fortunes and the concept is starting to catch on in Europe.

Pictet & Cie and Bank Julius Baer, of Zurich, set up their family offices last year to advise wealthy families on the management of their assets. Pictet is targeting families worth more than $100m.

Pictet estimates that there are 250 families of those in Switzerland alone that fit its criteria. But it wants to spread its net wider and has recruited McLure, former head of trust and estate planning at Mercury Asset Management, to lead its discreet pitch for the world's billionaires.

Pictet's family office will provide a central port of call for families wanting advice on private wealth management services such as investment consulting, investment reporting and custody, succession planning, tax and financial planning and administration, and bookkeeping.

"Every asset manager around wants the business of extremely wealthy families," says McLure. She sees one of her department's roles as relieving clients of a lot of the leg work of dealing with several different investment managers. "It is a bit like being a physician," she says.
*William Hall, Zurich*

### Johnsson steps up at Volvo

Volvo, the Swedish automotive group, has named **Stefan Johnsson** as its chief financial officer. Johnsson, 39, joined the group's executive committee last year as head of strategic and business development – a role he will retain.

Officials said that Johnsson was closely involved in the group's recent decision to sell the car arm, its largest business, to Ford of the US for SKr50bn ($6.5bn).

He is also understood to be playing a central role in Volvo's separate pursuit of Scania, its Swedish heavy truck rival. Last month Volvo took a near 13 per cent stake in Scania.

Johnsson succeeds **Jan Engström**, who last month became president of Volvo Bus. The reshuffle reflects a strategy by Leif Johansson, Volvo chief executive, to move senior executives between operational and financial roles frequently.
*Tim Burt, Stockholm*

McLure: to join Pictet & Cie

### Rexam names PLM board

Rexam, the UK packaging and printing group that recently acquired Swedish rival PLM, has appointed a new managing director at PLM following the departure of **Fredrik Arp**, who had reservations about the takeover. The UK group said **Lars Emilson**, managing director of PLM's drinks can division, would succeed Arp.

The former PLM chief has been headhunted by Trelleborg, the Swedish mining, metals and rubber group, to become its new chief executive. Arp, 45, was widely expected to leave PLM after questioning the synergies between the group and Rexam.

Rexam said Emilson, 57, would join a new five-man board at PLM. It would include **Rolf Börjesson**, Rexam chief executive, and the UK group's finance director **Michael Hartnell**. Börjesson was chief executive at PLM before joining Rexam in 1996.
*Tim Burt, Stockholm*

### Stiefler joins Safeskin board

**Jeffrey Stiefler**, chairman and chief executive of International Data Response Corporation, has joined the board of Safeskin, the latex and synthetic glove manufacturer.

Stiefler, 52, is a former president and director of American Express. He has just led IDRC into a merger with fellow telemarketing and customer service outsourcing company TeleSpectrum Worldwide, which will form the seventh largest group in the industry when completed.

He is a graduate of Williams College and holds an MBA from Harvard Business School.
*Andrew Bounds, London*

### Moving places

● **Joseph Anastasio**, former managing director of J.P. Morgan's North American operations, has joined The Capital Markets Company as chief executive and chief client partner of its North American operations.

● **Maarten Hulshoff**, 51, chairman of the managing board of the NCM Group is relinquishing his position to take up a new appointment as chief executive of Rabobank International, part of the Dutch group. He will replace Rik van Slingelandt.

● AlliedSignal has formed a new European aerospace organisation, called Environmental Control Systems-Europe and has named **Philippe Ancelle** the organisation's vice-president. The group aligns AlliedSignal's European environmental control systems manufacturing operations into one business.

● Chase Manhattan has appointed **Christopher Harvey** a managing director in its global trading division. Harvey fills a newly created position as head of sales and origination for foreign exchange and derivatives in New York. Harvey was with J.P. Morgan for 15 years.

● Novell has appointed **Elis Nemes** vice-president for Europe, Middle East and Africa. Nemes joins from Sun Microsystems, where he was vice-president, sales operations for Europe, Middle East and Africa.

هكذا من الأصل

# The lens as servant to the master

**William Packer** explains how photographic references were essential to Picasso's inspired creativity

"From today, Painting is dead" said the French artist, Paul Delaroche, in the 1840s, on first seeing a photograph. Some 70 years on, the young Picasso clearly felt much the same. "I have discovered photography", he said. "Now I can kill myself. I have nothing else to learn."

The fact is that, far from giving up in despair, painters began exploiting the new medium from the start, and have gone on doing so to this day, with artists from Degas and Bonnard to Warhol and Bacon merely conspicuous among countless examples. That Picasso, too, should have been one of them should hardly be a surprise. Indeed it would have been remarkable were he not, especially so given his voracious appetite for new materials, appropriated images, and any fresh means of expression.

If there is any surprise, it lies with the extent of his engagement with photography. At his death in 1973 he left an enormous trove of archival and photographic material, which has slowly been coming to light ever since. The fascinating exhibition now at the Barbican is a summary of the tripartite study, drawn from this mass of private material, which the Musée Picasso in Paris made between 1994 and '96. And if we emerge a little bemused, it is only because what is now so obvious has remained unrecognised for so long.

There is still the feeling in some quarters that to resort to photographs for reference and ideas is something of a cheat, and no doubt there will be a certain pursing of lips among the Picasso-sceptics. But the camera is only a tool, and it is how the artist uses it to serve his purpose that counts. Far from never lying, it can at times be downright mendacious, and the artist must understand just what it can and cannot do. And in following Picasso through the labyrinth of his life-long interest, we soon realise that he was never photography's creature, never over-reliant or literal in his response – even though his transcription of an image could be very close. But we always have the sense that the judicious exploitation of material leads the artist not back to the photograph, but to the art.

The show is arranged by categories of interest and practice – the use of direct photographic reference such as post-cards, old-master reproductions and personal photographs as a source of imagery; the practical record of work in progress, and studio interiors, that together might lead to further development in the work; images of self and friends; technical experiments with the medium of photography in its direct relation to painting, print-making and collage; collage and graphically-augmented material from magazines. Then there are the collaborative exercises with working photographers and film-makers who were also friends – Brassaï; Dora Maar, his mistress of the later 1930s, who recorded the progress of "Guernica"; André Villers and the paper cut-outs repeatedly re-photographed; Gjon Mili and the drawings with a point of light in space; and, of course, Clouzot and the film they made together, *Le Mystère Picasso*.

While the show is not closely chronological, and certain practices recur throughout – even one of the very last of his paintings, c.1970, of an old man, is taken, in the loosest and most fiercely expressionistic way, from a photograph – the importance of photography to him in his earlier periods is perhaps the more intriguing. In particular, it has always been accepted that Picasso was strongly influenced by the ethnographical collections he discovered when he arrived in Paris, by African tribal sculpture especially, and it has always been assumed that here he found his principal reference in developing the imagery for "Les Demoiselles d'Avignon" around 1905 and '06. It is now clear, however, that his inspiration was in large part even more humanly direct, based highly selectively upon an extensive set of postcard photographs of West African tribal women. Given the context, we see at once the unmistakable reference, and the creative liberties he took with it.

So it goes on. Here is his photograph of his first wife, the dancer Olga Khoklova, sitting elegantly cross-legged in the studio, and there the painting from it that he left unfinished (1918), so close in its particular copyings but critically altered in its shifts and emphases; here he is again, a marginal, ambiguous self-portrait silhouette in a tiny studio photograph, and there is the silhouette again in the large, schematic "Studio" interior of 1929. Marie-Thérèse Walter, a later mistress-muse, holding a beach-ball, poses on the beach at Dinard for a grotesquely abstracted surrealist figure (1929).

But more intriguing still are the faded, fragile images of studio interior and work in progress, full of atmosphere and mystery, post "les Demoiselles", from the Cubist period before the first world war. And in their formal disposition, with the clutter of the studio and the arbitrary overlapping of images upon the wall fracturing and refracting the actual, perceived space, these images begin to take on something of the quality and purpose of the Cubist adventure itself. More than mere snapshot notes and records, they become, most curiously, integral to the work itself. Was Cubism then, purest of painterly enquiries, set in part upon what the camera by chance revealed, suggested? Perhaps indeed it was, and photography for Picasso "The Dark Mirror" of the exhibition's title, through which he would always look, to confirm and rediscover his work, and himself.

**Picasso and Photography – The Dark Mirror: Barbican Art Gallery, The Barbican, Silk Street, London EC2, until March 28.**

One of the many postcards of West African tribal women (left) which influenced Picasso's imagery for works such as 'Les Demoiselles d'Avignon', and, right, 'Nude with raised arms', 1908

# Fine Strauss without the sentimentality

OPERA

**ANDREW CLARK**

**Der Rosenkavalier**
**Scottish Opera**

Lifting the curtain on what promises to be a rich Strauss year, Scottish Opera's *Der Rosenkavalier* sets a standard that will be difficult to beat.

Anyone old enough to remember this company's previous staging with Elizabeth Harwood and Janet Baker, will have approached David McVicar's new production sceptically. But time is a strange thing, as Joan Rodgers's succulent peach of a Marschallin reminded us at the Theatre Royal, Glasgow, on Saturday. In McVicar's brilliantly imagined realisation, we find a performance that not only conveys a sense of tradition renewed; it also plays tricks on our sense of time, as the evening slips by without a single longueur. It's an achievement of which everyone, not least the conductor, Richard Armstrong, can be intensely proud.

McVicar respects the Viennese setting without being slavish to it. His single set – a semi-circular interior of fading imperial grandeur, with just enough gaps to spark the imagination – shows how an impression of many-splendoured opulence can be created on a shoestring. The stage has height and depth, and adapts itself perfectly to the needs of each act, wittily so in Faninal's *palais*, where the chairs are identical to Act 1, but with a *nouveau-riche* lacquer replacing faded gilt.

The abstract period flavour of Tanya McCallin's costumes blends naturally with this setting, but there's also a hint of modern stylisation – as in the ladies' teased-out, topiary-like hairstyles (far better than powdered wigs) and Annina's black lipstick. Annina turns out to be this production's most original creation, and in a luridly insinuating performance, Joanna Campion very nearly acts everyone off the stage.

Where McVicar sets himself apart from other producers is his determination to filter out all sentimentality, parody and vulgarity: a high-risk strategy, given that these qualities have long been considered central to the work's charm. So there's no mugging in the first Mariandel episode, no comedy in the *levée* and no rustic testosterone in Peter Rose's squire of an Ochs. McVicar even insists on transforming the Marschallin's black page into an adult.

The result is a slow-burning Act 1 in which, nonetheless, the dramatic verisimilitude of each character is established. What McVicar seems to be telling us is that he respects the work's theatrical conventions, but is not interested in the clichés: *Rosenkavalier* has to be more than a superior gag. The comedy comes to life in Act 2, the characters begin to flourish, and the scene is set for a dénouement of rare integrity.

McVicar has such an eye for visual style, and is so musical, that it comes as a shock to see how wide of the mark he is with Sophie. Lisa Milne has the bright soprano for the part, but she looks a frazzled frump. The presentation of the rose doesn't quite work: Sophie is too bedazzled to notice Octavian.

This is one of McVicar's true-to-life observations that can't quite live up to the true fiction of Strauss/Hofmannsthal. But any Sophie would find it hard to compete with Rodgers's Marschallin, a woman young enough to boast a credible sexual appetite but old enough to behave with emotional maturity.

Rodgers's juicy soprano might not carry so well in a bigger theatre, (or with a less sensitive conductor), but her ability to caress the words proves just as fetching as her *décolletage* in the opening scene – where, to preserve her modesty, the stage direction could benefit from a little fine-tuning. What really distinguishes Rodgers's performance is its musical intelligence, the sincerity of her psychological development, and the dignity with which she sorts out everyone's problems at the end.

The leaner soprano and even leaner figure of Stella Doufexis's Octavian provide the perfect counterpoint. The travesty proportions of this part are seldom so convincingly realised, and Doufexis oozes natural talent. Rose's Ochs is less a blue-blooded buffoon, more an arrogant aristo trying unsuccessfully to sow some wild oats. Rose skates over the words in Act 1, and there's not a breath of dialect; but he emerges a different man after the first interval, and by Act 3 the character is endearingly three-dimensional. There's an entertaining double-act with his illegitimate son (Harry Ward), who – like Andrew Slater's Faninal and Phyllis Cannan's Duenna – is etched in unusually vivid colours.

The bedrock of the performance is Armstrong's thorough preparation of the orchestra and fingertip command of Straussian line. We may be used to a plusher string sound, but the myriad wind figures rarely come across as audibly as this, or the Act 3 passagework with such fiery accuracy. When will this conductor's contribution to opera in the UK win the recognition it deserves?

MUSIC IN LONDON

# The old meets the new

**It is not enough just to put on a classical concert any more. There has to be a special selling-point, as two major concerts at the Royal Festival Hall over the weekend showed.**

**On Thursday the Royal Concertgebouw Orchestra of Amsterdam came for the second of the concerts in its 1998/9 series. Though by no means the oldest, the orchestra is one of the most venerable in Europe and markets itself on tradition.**

**The programme comprised two major works by Brahms – the Violin Concerto and the Second Symphony – separated by Schoenberg's Five Orchestral Pieces Op.16 to represent the continuation of the Germanic musical line. As it happened, the Schoenberg was the best of the bunch. Riccardo Chailly, the Concertgebouw's chief conductor, is a perfectionist and the more complex the music, the more impressive the results.**

**Listening to the beautiful sounds produced here in the name of Schoenberg, it is hard to hear how his music could ever have been thought difficult. No more out-of-tune ensemble, no more scraping violins or over-loud rasping brass: Chailly and the Concertgebouw turned each of the five pieces into a model of cool, objective precision.**

**Unfortunately, they did the same to the Brahms, too. When Chailly arrived in Amsterdam, the players felt he was working against the classical tradition they had in their bones. Ten years on, the players now wear Chailly's Italianate style – like a sleek, high-quality Milanese suit – as if it was made to measure. The result was perfectly polished, but without depth, or passion, or Germanic wholeheartedness, a long way from the stirring Brahms that Christoph Eschenbach gave us in the First Symphony in the same hall a week earlier. In the Violin Concerto, Vadim Repin balanced sweetness and strength nicely, but only broke out of the prevailing mood in his choice of an unusually flamboyant cadenza.**

**On Saturday, the London Philharmonic's concert was anything but traditional. Under the trendy umbrella title *Roots – Classical Fusions*, most of the musical styles of the world were gathered: Caribbean calypso, passionate tangos, pensive Japanese *butoh* music and a big early-evening showing by Polyphony Ekonda from the African rainforest. Nearer to home were the European equivalents, Celtic dance, Spanish flamenco etc.**

**Where was the London Philharmonic in all this? Under Kent Nagano they played two works which claim links to the earth: Copland's *Appalachian Spring* and Stravinsky's *The Rite of Spring*, though it was ironic that Nagano's glib performance of *The Rite* had so little of the primitive about it. Even when it was skidding along at speeds far too fast, it failed to be exciting.**

**Surely the problem is that sophisticated 20th-century classical music retains only the most tenuous links to folk music of any kind, unlike pop or jazz. But maybe the public response shows there is a market for such hybrid promotions, and The London music scene is big enough for this and old-style tradition like the Concertgebouw.**

**Richard Fairman**

# INTERNATIONAL Arts Guide

## AMSTERDAM

**EXHIBITION**
**Rijksmuseum**
*Tel: 31-20-673 2121*
Asser: Pioneer of Dutch photography. Nearly 200 photographs, including portraits and still lifes, made by Edouard Isaac Asser (1809-1894). The prints were produced by a variety of techniques with which Asser experimented before devoting his full attention to developing a method of photographic reproduction; to Mar 14

**OPERA**
**Netherlands Opera, Het Muziektheater**
*Tel: 31-20-551 8911*
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The title role is sung by Carmen Oprisanu; Feb 9, 12, 15

## BERLIN

**OPERA**
**Deutsche Oper**
*Tel: 49-30-34384-01*
● Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew; Feb 12
● Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 13

## BRUSSELS

**OPERA**
**La Monnaie**
*Tel: 32-2-229 1211*
Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jara; Feb 10, 12

## DALLAS

**OPERA**
**Dallas Opera**
*Tel: 1-214-443 1000*
*www.dallasopera.org*
La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sets by Michael Yeargan; Feb 13

## GLASGOW

**OPERA**
**Theatre Royal**
*Tel: 44-141-332 9000*
Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 13

## HOUSTON

**THEATRE**
**Houston Grand Opera, Wortham Center**
*Tel: 1-713-227 2787*
*www.hgo.com*
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade and Sheri Greenawald; Feb 9, 12, 14

## LONDON

**CONCERT**
**Barbican Hall**
*Tel: 44-171-638 8891*
Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J Strauss, Mozart and Beethoven; Feb 11

**EXHIBITION**
**Tate Gallery**
*Tel: 44-171-887 8000*
Turner in the Alps: undertaken in 1802, this was Turner's first visit to continental Europe. The exhibition contains 68 works, revealing his initial impressions of the landscapes he encountered; to Feb 14

**OPERA**
**English National Opera, London Coliseum**
*Tel: 44-171-632 8300*
La Traviata: by Verdi. Michael Lloyd conducts a revival of Jonathan Miller's staging. Cast includes Claire Rutter and Alan Opie; Feb 9, 12

## LOS ANGELES

**EXHIBITION**
**Los Angeles County Museum of Art**
*Tel: 1-213-857 6000*
*www.lacma.org*
June Wayne: A Retrospective. Survey of the artist's printmaking work from 1946 to 1995; to Feb 15

## MANCHESTER

**CONCERT**
**Bridgewater Hall**
*Tel: 44-161-907 9000*
Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J. Strauss, Mozart and Beethoven, with piano soloist Artur Pizarro; Feb 12

## MOSCOW

**CONCERT**
**Conservatory Great Hall**
*Tel: 7-095-229 9401*
Moscow State Symphony Orchestra: conducted by Gilbert Kaplan in Mahler's 'Resurrection' Symphony No. 2; Feb 9

## MUNICH

**CONCERTS**
**Philharmonie Gasteig**
*Tel: 49-89-5481 8181*
● Klassische Philharmonie Bonn: conducted by Heribert Beissel in works by Mozart and Beethoven, with piano soloist Matthias Kirschnereit; Feb 12
● Munich Radio Orchestra: conducted by Leopold Hager in works by J. Strauss; Feb 14
● St. Petersburg Philharmonic Orchestra: conducted by Yuri Temirkanov in works by Prokofiev and Ravel; Feb 11

**EXHIBITION**
**Haus der Kunst**
*Tel: 49-89-211270*
Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain; to Apr 18

## NEW YORK

**DANCE**
**New York City Ballet, New York State Theater**
*Tel: 1-212-870 5570*
Celebrating Five Decades of Repertory: continuing 50th anniversary celebrations; Feb 9, 10, 11, 12, 13, 14

**EXHIBITION**
**Guggenheim Museum**
*Tel: 1-212-423 3500*
*www.guggenheim.org*
Picasso and the War Years 1937-1945: more than 75 works - paintings, sculpture and works on paper - which together explore Picasso's response to the period which began with the Spanish Civil War and ended with the liberation of France. Includes major public and private loans; to May 9

**OPERA**
**Metropolitan Opera, Lincoln Center**
*Tel: 1-212-362 6000*
*www.metopera.org*
Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 11

## PARIS

**CONCERTS**
**Salle Pleyel**
*Tel: 33-1-4561 6589*
Orchestre de Paris: conducted by Frans Brüggen in works by Bach, Mozart and Mendelssohn; Feb 10, 11

**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
Orchestre National de France: conducted by Jerzy Semkow in works by Haydn, Mozart, Mendelssohn and Schubert; Feb 14

**EXHIBITION**
**Musée du Louvre**
*Tel: 33-1-4020 5151*
*www.louvre.fr*
Eternal monuments of Ramses II: New Theban excavations. Display of the latest archaeological findings from the Egyptian pharaoh's tomb; from Feb 10 to May 10

**OPERA**
**Théâtre des Champs Elysées**
*Tel: 33-1-4952 5050*
Opéra National de Lyon: Zelmira, by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos. The title role is sung by Mariella Devia; Feb 10, 12, 15

## VIENNA

**CONCERT**
**Musikverein**
*Tel: 43-1-5058 6810*
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Mendelssohn and Prokofiev; Feb 9

## WASHINGTON

**OPERA**
**Washington Opera**
*Tel: 1-202-295 2400*
*www.dc-opera.org*
Boris Godunov: by Mussorgsky. Conducted by Isaac Karabtchevsky in the widely-travelled Tarkovsky staging, revived by Stephen Lawless. Samuel Ramey sings the title role; Feb 13, 15

## TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**

● **CNN International**
Monday to Friday, GMT:
**06.30:** *Moneyline with Lou Dobbs*
**13.30:** *Business Asia*
**19.30:** *World Business Today*
**22.00:** *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

## COMMENT & ANALYSIS

PETER MARTIN

# Cut to the core

To survive BMW must concentrate only on its luxury cars or merge with a strong but ordinary mass-market business

The broader question behind BMW's spectacular boardroom bust-up is this: can specialised, top-of-the-line businesses compete in the long run with ones based on a broader range of customers and products?

The conventional wisdom these days is no. A good big 'un, it is said, will always beat a good little 'un. And though BMW is, by most standards, a large company – revenues of over $35bn, a workforce of 120,000 and output of 1.2m cars – it is still nothing like the size of competitors such as Ford, Toyota, DaimlerChrysler or Volkswagen.

This explains the way outside observers reacted to last week's bloodletting, which saw the two top managers leave. Bob Eaton, co-chairman of DaimlerChrysler, summed up the mood: "By Monday there will be at least three or four companies bidding for BMW," he said.

Today's conventional wisdom is that there are huge returns to size: financial firepower, technological depth, brand presence. Together, these make a well-managed large company unbeatable. Smaller ones have no choice but to merge.

If you want to be really big, you need a mass-market presence. Goodbye BMW, hello DaimlerChrysler. Goodbye Goldman Sachs, hello Merrill Lynch and Citigroup. And so on.

Let us examine how this applies to BMW. It already has large enough volume to run world-scale car factories. Indeed, the minimum size of an efficient plant is coming down, thanks to automation and pre-assembly of components. So if BMW is in some sense too small, it cannot be for the traditional reason of production efficiencies.

Perhaps the cost of developing a new model is so huge that smaller companies cannot sustain it? That may be so – certainly thinly resourced carmakers like the pre-BMW Rover, the pre-General Motors Saab and the pre-Volkswagen Rolls-Royce were having difficulty refreshing their product lines quickly or imaginatively enough.

But again, it is hard to see how that applies to BMW's core business, its executive saloon cars. There are only three basic models. They are admirably engineered, frequently updated and there is no sign that the product cycle is uncompetitive.

That is all very well for now, say the size-freaks, but it will not last. The car company of the future will obtain enormous savings by basing several distinct models on a single "platform". Volkswagen, in particular, has managed to use the same platform to produce similar-but-different cars under its own name, the more upmarket Audi, and the cheaper Skoda and Seat brands.

Once this practice is fully mastered, it is argued, single-line producers will be rendered uncompetitive. They will never be able to innovate fast enough, or cheaply enough, to fend off their multi-brand rivals.

This may well be true in the mass market, where Rover competes. But it is much less clear that it applies to BMW's own models. Indeed, a big part of a BMW's appeal is precisely its distinctive engineering, available nowhere else. Its core market is both faster-growing and more lucrative than those of anyone it might link up with. As long as it has the resources to develop new models in its heartland, BMW must surely be better off steering a lone course.

Which leaves the third potential aspect of size: branding. There is no doubt that the cost of building and maintaining a global brand is a heavy burden.

But BMW has already paid those costs. It has a well-developed presence around the world; one which outstrips that of many of its mooted merger partners such as Fiat. Even Ford, which *is* a global brand, does not have the same presence in, say, Japan as BMW.

Now turn to the case of Rover. It is a mirror-image of BMW. It is badly behind on model development; it does not have the internal cash flow to innovate properly; it has no distinctive sales proposition; and it has a weak brand with poor geographical coverage.

Rover should certainly have been taken over – as it was. But in retrospect BMW was the wrong partner. Rover's only chance of survival was as part of a multi-brand company that could immediately offer it an up-to-the minute range of models from platforms shared with other brands.

BMW's real motive in buying Rover was to get its hands on Land Rover. It thought it was worth trying, as well, to reinvigorate Rover. Without a platform strategy, this was always likely to be a risky enterprise. And so it has proved. Bernd Pischetsrieder, who made this gamble as BMW's chief executive, has paid the price. His former number two, Wolfgang Reitzle, has also lost out – for being too right, too aggressively.

The lesson for BMW is not – as outside observers seem to think – that it should quickly find a merger partner. Instead, it must concentrate on what it does best. Alas, that probably leaves no room for Rover.

And the lesson for other specialised up-market brands? That there is no half-way house. Either merge with a mass-market business, and ruthlessly exploit shared production even if that results in a loss of uniqueness. Or remain alone, steadfastly developing distinctive products. But do not think that the magic of your core business will automatically transmit itself to a weaker acquisition. In such circumstances, one and one risk making a half.

*peter.martin@ft.com*

## LETTERS TO THE EDITOR

### Change to architecture must fit the framework

*From Prof Cynthia C. Lichtenstein.*

Sir, Barry Eichengreen is to be commended for his cogent Personal View ("Building on a consensus", February 2) suggesting the areas of action that may practicably be taken to strengthen the international financial system. But some of the suggestions may require legal advice.

To continue his analogy, any change to the international financial architecture must not only be within the engineering capacity of the builders; they must also fit within the existing legal framework. For instance, at the present time the International Monetary Fund is required by its charter to make the same charges to all members.

To change outright the IMF treaty to permit the concessionary interest rates that Prof Eichengreen recommends for loans to countries having national practice of accounting and bankruptcy laws in conformity with international standards would require a treaty amendment. However, the legal department of the Fund over the years has been very clever at finding ways to interpret the IMF agreement to achieve desired results, and perhaps that could be so here. A trickier issue would be finding a way under the agreement to use "more attractive interest rates" for countries that issue debt securities with the voting and sharing clauses Prof Eichengreen recommends.

Equally, the US Trust Indenture Act mandates such clauses for bonds falling within its aegis, but otherwise the Securities and Exchange Commission does not have power (under its authorising legislation) to exclude from US capital markets bonds not containing such clauses. Of course, persuading the US Congress to give the SEC power to do so is likely to be much easier than trying to get international agreement on amendments to the IMF treaty, and both are more politically feasible, as Prof Eichengreen points out, than any move to a global regulator of capital markets.

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### Wrong ingredients in recipe for S. Korea

*From Suchan Chae.*

Sir, As Hubert Neiss, the International Monetary Fund's Asia-Pacific director rightly points out, South Korea still has a battle ahead to achieve a sustainable recovery ("South Korea warned on complacency", February 1). The methods for recovery he and the IMF recommend, however, are going to hinder rather than promote the goal.

There are two problems with the new IMF recipe for Korea. First, in the area of macro policy, the IMF, which was slow to allow fiscal expansion in the face of plunging statistics in the early part of last year, is now exhorting the Korean government to spend more and more allowing the government deficit to reach 5 per cent of gross domestic product this year. The Korean economy is already on the rise. Further expansionary policies would generate inflation and current account deficits in the near future.

Second, in the area of reform policy, emphasis on *chaebol* reform, by means of creditor banks that are under governmental control, is misguided. It is precisely the heavy hand of the government that eroded the competitiveness of the Korean financial and industrial sectors.

The disintegration of *chaebols* started in the market place well before the IMF advised *chaebol* reform. One may recall that one-quarter of the top 30 *chaebols* went down in 1997 before the foreign exchange crisis broke out. The reform Korea needs now is an institutional one that would facilitate, by providing the necessary legal framework, restructuring by market forces.

If Korea is going to have a sustainable long-term recovery, the IMF's current recipe for Korea should not be followed.

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US

### Strong case of double Dutch

*From Sir David Lees.*

Sir, In case collectors of European Central Bank language may have missed Wim Duisenberg's comments as set out in the markets report on your Currencies & Money page of February 5, they bear repetition. The president apparently said: "There are no clear signals yet of a stronger-than-expected weakening in output growth."

Roll on the weaker-than-expected strengthening.

David Lees,
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Lower Thames Street,
London EC3R 6DQ, UK

### Lessons in innovation and survival from Italian textiles

*From Mr Mark H. Lazerson.*

Sir, Joseph Stiglitz ("Weightless concerns", February 3) sagely appreciates how a rigid intellectual property regime may undermine the new technologies. But traditional industries may also prosper from an environment that stimulates the uninhibited flow of new ideas. In Italy's historic textile district of Prato, designs cannot be legally patented, and highly skilled fabric technicians are free to switch employers, so no one firm can ever exercise a lock on fashion.

Yes, copying is widespread, but so is continuous incremental change in manufacturing processes and products. The vanguard firms understand that either they ruthlessly renew their product line every six months or they will be overtaken. This commitment to innovation and the free circulation of ideas and people is one of the reasons Prato's textile industry survives – despite paying wages many times that of its Asian competitors.

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PERSONAL VIEW RONALD I. MCKINNON

# Policy of last resort

Regional exchange-rate targets are the vital missing ingredient in the debate over an international lender of last resort

With the east Asian and Latin American currency crises still reverberating, ideas for making the International Monetary Fund more responsive as a lender of last resort are taking centre stage.

For example, in an address to the American Economic Association in New York on January 3, Stanley Fischer, the IMF's deputy managing director, carefully reviewed Walter Bagehot's 19th century ideas on the proper role of a lender of last resort.

Curiously, Mr Fischer did not state what the exchange rate objectives of the putative new lender or reformed IMF would be – except to note that exchange rates of eligible borrowers should be kept "flexible". Indeed, an emerging consensus among many commentators has favoured greater exchange rate flexibility.

But are untethered exchange rates really consistent with the proper goals of an international lender of last resort?

In a world where deflationary pressures have become more pronounced, currency crises can spread from one country to another through even inadvertent changes in exchange rates. Beggar-thy-neighbour devaluations characterised the breakdown of world trade and capital flows in the 1930s, and increased the remarkable speed with which the east Asian debtor economies were brought down from mid-1997 through early 1998. The fall of the Brazilian Real poses a threat of domino devaluations in Latin America in 1999.

To prevent such contagion, long-term exchange rate stability should be a prime objective of any new international lender of last resort. Even without a return to par values for exchange rates on the world scale of the 1944 Bretton Woods agreement, progress on a regional basis to secure exchange rates among countries that are closely connected in trade and finance is still feasible – as the continental European countries showed in 1996-98 leading up to the launch of the euro in 1999.

That is one reason for thinking the IMF cannot play a central role in improving policy, at least in its current form: it has no proper exchange rate mandate. That aside, there are two other key limitations of the IMF's legal framework.

First, it cannot act until fairly late in a crisis because of the need to negotiate a formal programme with restrictive conditions attached before a loan can be made.

Second, the IMF must negotiate one-to-one with individual member countries. Thus, at the outset of a crisis, the IMF cannot effectively lend to affected countries as a group, for example, by managing some regional stabilisation fund to prevent the crisis from spreading, as in east Asia in 1997.

**The call for an international lender of last resort is a euphemism for reforming the IMF. But an enhanced IMF would be fraught with moral hazard if borrowing was too easy**

History's most striking example of successful international lending to a group of countries was the Marshall plan of 1948-51. Recognising that the recovery of any one country was tied to recovery of the European economy as a whole, dollar aid was given collectively to 16 western European countries, channelled through one secretariat. To be sure, very strong conditionality was attached to each European country: fiscal balance and the elimination of inflation.

But Marshall plan conditionality also extended across national boundaries: each western European country had to pledge to work toward current account convertibility and exchange rate stability with its neighbours.

The capstone was the formation of the European Payments Union in September 1950. For clearing payments multilaterally, each country declared an exact exchange parity against the dollar and, hence, against each other. In the subsequent era of incredibly high real economic growth, this system of fixed exchange rates lasted for almost 20 years – anchoring the common price level and minimising cross-country disturbances.

With the important exception of Japan, a common east Asian monetary standard existed before the crises of 1997. By keying on the dollar, the macroeconomic policies of Indonesia, Korea, Malaysia, the Philippines, and Thailand were (loosely) tied to each other – and to those of the non-crisis economies of Hong Kong, Singapore, and Taiwan. Their dollar exchange rates had been fairly stable for more than a decade and, by the purchasing power parity criterion, were more or less correctly aligned with each other.

Besides, insulating each other from beggar-thy-neighbour devaluations, these informal dollar pegs had successfully anchored their domestic (wholesale) price levels during their rapid economic growth in the 1980s through to 1996. (Similarly, a credible peg of Y360 to the dollar was the monetary anchor in Japan's own great era of high growth and rapid financial transformation in the 1950s and 1960s).

The problem with the pre-1997 regime was acute moral hazard in the banking system of the Asian debtor economies. In the absence of capital controls, this led to gross over-borrowing in foreign exchange.

Clearly, if Japan and the US succeed in stabilising the dollar-yen rate and so end deflation in Japan, the smaller east Asian economies want to restore their own, formal or informal, dollar parities which the IMF, reformed or not, should support. China could be the model. With the help of capital controls, the yuan has been successfully pegged at about Yn8.3 to the dollar for almost five years, inflation has come down to low American levels and China's output growth remains more robust than that of her neighbours.

With proper bank regulation or capital controls in place, a restored dollar-based exchange rate regime would again protect the smaller east Asian economies from competitive devaluations. But the collective advantages are mutual. By being formally part of such an arrangement, Japan could be better protected politically against future American demands to appreciate the yen – and such protection is necessary for Japan's economy to recover from its decade-long slump of the 1990s.

The call for an international lender of last resort is partly a euphemism for reforming the IMF. But an enhanced IMF, with greater and more flexible lending capacity, would be fraught with moral hazard if borrowing access was too easy.

Against this, there is a social need to prevent unjustified exchange rate changes that substantially affect neighbouring countries. Before they were serially attacked, the exchange rates of all five of the east Asian debtor economies were close to purchasing power parity, and the plight of all five was worsened by their devaluations.

Well-defined regional exchange rate objectives, collectively imposed to prevent cross-country contagion from unwarranted exchange rate fluctuations, would clarify what the putative lender of last resort was trying to achieve.

*The author is professor of economics at Stanford University and visiting Houblon-Norman fellow at the Bank of England*

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday February 9 1999

# One in the eye for Schröder

Barely 100 days after he took power at the head of a centre-left coalition government, Gerhard Schröder, the German chancellor, has been given a nasty black eye by the voters. The same political alliance of Social Democrats (SPD) and Greens was voted out of office in the state of Hesse on Sunday, not least because of the perceived muddle at the heart of the government back in Bonn.

The result is symbolic, for the red-green alliance in Hesse was seen as a model for the federal coalition. It will also deny Mr Schröder the majority he had hitherto enjoyed in the Bundesrat, or upper house, and make his task of passing new legislation more difficult. He will have to compromise with the 16 federal states, as well as with the opposition Christian Democratic Union, to gain approval for his planned reforms, including tax reforms, and changes in the country's controversial nationality laws.

Indeed, it was precisely the proposed nationality reforms and the government's plan to allow immigrants, or the children of immigrants, to hold dual citizenship which appears to have been most decisive in the Hesse result. The CDU campaigned furiously against the change and launched a national collection of signatures to oppose it. According to the exit polls, it was the question which caused most voters to switch their support to the CDU.

That is a disturbing sign of Germany's unwillingness to face up to the reality of being a multicultural society. The present nationality laws, requiring proof of German blood for a would-be citizen, or very restrictively defined qualifications, are anachronistic and offensive to immigrants. They are undoubtedly a factor in continuing hostility to foreigners. The government, urged on by the Greens, is right to be calling for reform. The CDU campaign could easily fuel a much nastier revival of xenophobia.

In other respects, however, the Hesse result should provide a salutary warning to Mr Schröder. He has failed to deliver a clear platform of coherent policies, not least to deal with unemployment, which is his top priority. The government's tax reforms are ill thought out, and could well be counter-productive in discouraging enterprise.

The other most obvious initiative, again urged on by the Greens, was to announce the abandonment of nuclear energy – and then think twice about it. It has hardly been an impressive demonstration of decisiveness.

Yet what the voters of Hesse seem to want is peculiarly German. By ensuring that no party enjoys a majority in the Bundesrat, they will force all sides to reach agreement. That means on tax reform. It also means on nationality laws. By failing to give a clear lead in his first 100 days, Mr Schröder has been condemned to compromise.

# Fed opens up

Although the US has been strident in urging the developing world to improve its standards of transparency, its own central bank, the Federal Reserve, is hardly a bastion of clarity. Now the Fed has decided to open up its thinking a little, by announcing important shifts in its policy stance, even when interest rates are unchanged.

The Fed's rationale for the change is to make its thinking clearer to the markets. All too often, in the absence of an interest rate change, the Fed's view has been transmitted through such imperfect mechanisms as leaks or speeches by Fed board members.

Last year, for example, there were four changes in the policy stance (the bias towards tightening or loosening). But even during those critical times for the world economy, the changes were not immediately revealed. Meanwhile, Fed chairman Alan Greenspan's speeches were scoured for the slightest hint on prospects for interest rates, often provoking severe market reactions. An official announcement of changes in the stance is surely a better way of doing things.

The Fed has also decided to modernise its language. Most of us would have to read the phrase "a somewhat higher federal funds rate would or a slightly lower federal funds rate might be acceptable in the intermeeting period" several times before working out that it meant a bias towards tightening; the new wording is much less opaque.

But the Fed could, and should, do more. First, it could commit itself to announcing all changes in the policy stance, not just those it considers important.

And if the Fed really does care about sending accurate signals to the market, it should shorten the delay between its meetings and the publication of minutes, as the Bank of England has done. This delay means that the minutes of one meeting are not revealed until after the next one has taken place, which makes for some pretty confusing market signals. And it is an anachronism that while changes to the policy stance can now be immediately announced, the thinking behind them still takes weeks to emerge.

Finally, there is a lesson in all this for the European Central Bank. Although it is publishing a monthly economic bulletin, it still refuses to release its minutes. This leaves far too much reliance on nods and winks. The risks of this strategy are made worse by the fact that the ECB is a new central bank, and is seen to be potentially subject to political and national pressures. Both theory and experience suggest that poorly informed markets are inefficient; the ECB should take courage from the Fed, and open itself up to scrutiny.

# Curse of oil

Royal Dutch/Shell's $8.5bn plan to boost Nigeria's petroleum sector should be excellent news. The transition from military to civilian rule now under way comes as the country faces its most serious economic crisis since independence, and Africa's most populous state badly needs an investor vote of confidence. The danger, however, is that the prospect of an oil bonanza to come will reduce commitment to the promised economic reforms which are so essential to the country's recovery.

The impact of the proposed investment would be dramatic. It would open up new offshore fields and boost Nigeria's 2m-barrel daily oil output by a third, while greatly increasing capacity to exploit its huge gas reserves. The result would generate net income of $20bn over 25 years.

It comes at a critical moment. A 12-year low in the price of oil, which accounts for 95 per cent of export earnings and 80 per cent of federal government revenue, has seen export earnings fall from $14.9bn in 1997 to $9.3bn last year. The timing could hardly be worse, for the crisis coincides with inauguration of a civilian government at the end of May.

The election has not focused on the economy. Personality clashes and ethnic rivalry dominate the campaigns by the three parties in contention.

But to its credit the outgoing military government of Gen Abdulsalami Abubakar has agreed on a policy framework with the International Monetary Fund, which could pave the way to fresh loans and rescheduling the country's estimated $29bn external debt. Central to the agreement is a pledge to audit the state-owned Nigerian National Petroleum Corporation and monitor the accounts of the central bank.

This goes to the heart of the corruption that is destroying Nigeria. Control of oil revenue provides the patronage that dominates Nigerian politics. Unless these pledges are implemented, recovery will prove impossible. As Angola has shown, it is possible to invest billions in a thriving offshore oil industry which is run as an enclave economy, funding a war rather than development.

In Nigeria's case, oil wealth has been squandered in a different way – through mismanaged projects and propping up an unrealistically high exchange rate. Both soldiers and civilians have siphoned off the profits to foreign bank accounts. Kenneth Kaunda, the former Zambian president, once said his country had been born with a copper spoon in its mouth. It proved a curse not a blessing, he observed. Unless Nigeria manages its proposed new investment honestly and efficiently, the same will be said about its oil.

# Age of the day trader

**Roger Taylor** and **John Labate** profile a new breed of small investor which is behind the boom in internet shares

The rise in the value of internet stocks has been variously described as irrational opthuism, a mass delusion and a confidence trick. Such words barely capture the sheer exuberance of the internet world.

The market capitalisation of Yahoo!, the leading internet company, has appreciated by 3,800 per cent since 1996 and is now worth 480 times expected earnings for 1999. Yahoo is worth more than Texaco or Merrill Lynch. America Online, the largest internet company, has risen by 34,000 per cent since 1992 and is now worth 278 times expected earnings for the year to June. That makes it bigger than Ford or Disney. Both companies would be in the Japanese top 10, and AOL would in Europe's top 10, ahead of Nestle, Shell or UBS.

In case you were in any doubt that these valuations are abnormal, a string of very, very important people – Alan Greenspan, the chairman of the Federal Reserve Board, Rupert Murdoch, chairman of News Corporation, and most recently Bill Gates of Microsoft – have all said that, in their opinions, internet stocks are over-priced.

Yet despite this, a great many people continue to buy and enthuse about internet investments – from private retail investors to some of the leading analysts on Wall Street.

The debate about internet stock valuations has so far focused on the companies: are their products and expected earnings really worth these high stock prices? Which companies will survive? And, more generally, how can you assess the potential of an invention as pervasive and revolutionary as the internet? For all these questions, we will no doubt have to wait and see.

But meanwhile, there is a second set of questions which has attracted less attention. Who buys these assets? Are they different from other investors? What do they expect of their investments? These questions are just as important because the internet phenomenon reflects a revolution in the behaviour of US private investors, as well as in technology.

US private retail investors have been the most important participants in the market for internet stocks. The astonishing price rises of many internet stocks testify to the strength they wield. Appropriately, the internet itself has made this possible. With the services of online stockbrokers they can actively manage their investments from day to day, hour to hour, or even minute to minute. The Securities and Exchange Commission estimates that one in four of all retail stock trades happen through online brokerages and the number of online trading accounts is expected to exceed 10m before the end of the year.

The most extreme manifestation of this new form of investing is the day trader – someone who rapidly buys and sells stocks through an internet broker holding investment for hours or minutes. Day traders take little or no interest in what they are buying and are driven purely by momentum. If a share is going up, they buy and hold on to it while it rises and then sell the moment it appears to be slowing.

Debbie McClure is typical. She has been day trading for about a year. She runs the Abilene Book Store in Abilene, West Texas but every morning between 8.30 and 10.30, before she opens the shop, she plays the market. She cheerfully admits she often has no idea what she is investing in.

"Most of the time I do not know what I am buying. To me it is just a string of letters," she says, referring to the ticker symbols of the stocks. But her ignorance seems no hindrance to money making, at least at the moment. She says she started with about $15,000 and almost lost it all in the first two months. Since then, she has managed to make $70,000 – more than she has made from the book shop.

Day trading is not new. It became common in the mid-1980s in Japan, when the largest Japanese companies traded huge blocks of shares very rapidly and made more money by financial engineering than by the more traditional kind. Given what happened to the Japanese bubble economy, this is not a comforting parallel.

In the US, day trading is a retail activity, not a corporate one. Guides to electronic day trading have topped the lists of bestselling business books. Internet chat rooms devoted to the trading abound. iVillage.com, a popular internet site for women, suggests day trading alongside childcare as a way to make money working from home.

Most of the large online brokers, such as E*Trade and Charles Schwab, say that day traders make up only a tiny fraction of their business. That is no doubt true, but such traders still represent a trend towards greater activism on the part of all US shareholders.

Not since the 1920s has the average US investor been so obsessed with playing the market. Retail investors are becoming increasingly active. In Silicon Valley it is common for employees to have a their favourite stock prices constantly displayed on their screens while at work.

People are even giving up their jobs or working fewer hours to more their time to playing the markets. Steve Willens, a doctor in North Carolina, for example, now sees patients only in the early morning and late afternoon. Between 10.00 and 12.00 he is trading in and out of the markets from his computer.

> 'Most of the time I do not know what I am buying. To me it is just a string of letters'

The restlessness of retail investors has undoubtedly added a destabilising element to some parts of the market over the past year. The Nasdaq, with its strong technology weighting, has been far more volatile in the past year than either the S&P500 index or the Dow Jones 30-Industrials.

Some companies have also blamed retail investors for undermining their share prices, much as governments have blamed hedge funds for undermining their currencies. GIC, an internet entertainment group, issued a statement to that effect in December.

All the same, the money that retail investors have made in the internet boom has sucked big institutional investors into the market, driving prices up further. A turning point for the institutions came last year with the news that America Online would be joining the S&P500 index this year. The holiday shopping season of 1998 confirmed that electronic commerce was not only a business with considerable potential but an opportunity traditional retailers could not ignore.

However large institutions find it hard to invest in the sector. Apart from a handful of leaders, Internet companies are mostly small, and owned mostly by venture capitalists and founders.

Without the ability to acquire enough shares in the smaller companies to make a difference to their portfolios, many firms have been content to invest in the sector leaders, including Amazon.com, Yahoo!, and AOL. Other growing names such as At Home, the internet cable service provider which recently acquired search engine Excite for $6.7bn in stock, are also said to be attracting more attention from large investors. Greater participation by the institutions may help to steady the market.

The real question in the internet market is how long shareholders are willing to hang on to their investments. In the case of day traders, the answer may be only a minute. But holding the shares for long periods may begin to make more sense of the current valuations. As Abhishek Gami of William Blair, a Chicago brokerage puts it: "If it's 12 to 24 months [out], these stocks are overvalued, but if you are buying a stock for five to 10 years of performance, some of these stocks look cheap."

Mary Meeker of Morgan Stanley uses Microsoft remind everyone that the astonishing rates of growth that would be needed to justify some internet valuations are not as impossible as they might appear in an industry which has produced some remarkable growth stories in the past.

Microsoft produced a compound earnings growth of over 40 per cent a year between 1985 and 1995. During that time its share price rose 3,500 per cent. Admittedly AOL's share price has appreciated far faster than Microsoft's. But then the internet is growing faster than the adoption of the personal computer.

Five years of annual earnings growth at 50 per cent would give Yahoo earnings of $5.5 per share in 2004. Another five years, and it would be making $41 per share in 2009. It is an awful lot to discount, but it goes some way to making sense of today's share price of $345.

But even if there is a chance that the some internet stocks will prove a good investment over the next five to 10 years that does not preclude some very sharp falls in the mean time. This is what most concerns politicians and regulators. With the US stock market on very high valuations and supported to a large degree by US retail investors, the damage to confidence produced by a crash in the internet stocks could quickly spread.

This concern is heightened by the lack of experience of many of the traders in internet stocks. Eddie Kwong has been trading shares for over 15 years and runs Realtraders.com, and internet site for day traders. He says that the traders who are keenest on internet stocks tend to be the newer investors who are "not familiar with the way markets typically behave". He also points out a disturbing tendancy among day traders to believe they have an infallible system of investing.

That said, internet investors have already had to deal with a fair degree of volatility. Amazon.com, the internet book seller, has seen its shares nearly double and then half again since the start of the year.

Whether or not the crash comes, the boom in internet stocks has been a dramatic proof of the power of the internet – a point which is itself used to defend the prices of internet stocks. Whether the increased volatility in stock prices caused by online investors will prove to be a passing phenomenon linked to the birth of the internet, or a permanent change in market behaviour is yet to be seen.

In the meantime, the day traders tend to get what they can. As Ms McClure says: "We don't know how long this will last." And she does not intend to allow the likes of Mr Murdoch or Mr Gates spoil the party.

# OBSERVER

## Pushkin trolleys round Tesco

British actress Prunella Scales is all the rage in Moscow, but only because she's been appearing in television advertisements for a supermarket chain back home.

Tesco, one of Britain's largest supermarket chains, has just discovered that adverts intended for broadcast in the UK have been appearing on air in the Russian capital.

A local station has been running the 40-second snippets as programmes in their own right; the suitably dubbed shopping adventures of an opinionated mum and her put-upon daughter have proved a big hit with an audience starved of the sort of exotic fare that's normal in western Europe.

Tesco says it has no idea how the television station got hold of the trolley sagas but it's sent off a letter demanding to know how it found a broadcast quality copy of the ads and warning of breach of copyright. Unsurprisingly, the station hasn't responded.

## Kid Kokusai

Nomura Securities, Japan's largest broker, has tended to regard Kokusai securities as an unruly kid brother. For though Nomura has never officially run Kokusai, it's been effectively controlled by Nomura via a convoluted web of shareholdings.

To ram the point home, a group of ex-Nomura officials have served on Kokusai's board, to ensure it didn't become too independent. But now Kokusai has had a sweet revenge.

While Nomura's share price has tumbled in recent weeks to below Y1,000, Kokusai's share price has been going in the opposite direction – leaving it trading above Nomura for almost the first time in recent memory.

A painful blow, indeed, to the proud Nomura, which still believes it taught Kokusai everything it knows. What's doubly humiliating through, is the reason for Kokusai's surge: traders hope that Nomura may be planning to sell the stake it owns through related companies in Kokusai, possibly to a foreign group or another rival to Nomura. And last but not least, Kokusai should record a profit this year – unlike the Y200bn pre-tax loss Nomura's expected to produce.

## Neat footwork

Sounds as though the recently departed England coach Glenn Hoddle, shown the door after voicing some exotic views on reincarnation, could take a few lessons from Zinedine Zidane, the Algerian-born French striker who emerged as the star of last summer's World Cup finals.

Asked whether his pay had gone up after his World Cup performance, he shrugged off the question as having "nothing to do with anything". He was no more forthcoming over gossip about his possible value on the transfer market and explained away enormous transfer fees by pointing out "there are buyers and sellers – that is called a market".

As for his personal religious beliefs and the place of Islam in his life, he dismissed the question as the reason interviews get on his nerves. He retorted: "I don't have to talk to you about all that. I am a sportsman. I can talk to you about sport." Hoddle, eat your heart out.

## Blair trading

British premier Tony Blair isn't the twitchy type, but he's running out of time if he wants a real say in who takes over from Jacques Santer as the next president of the European Commission.

With the UK getting closer to serious decisions over its future in Europe, Blair needs to find a credible, high-profile candidate who shares the British economic reform agenda.

But with his favourite, Portuguese prime minister Antonio Guterres, ruling himself out at a recent Vienna summit of European socialists, it's a case of back to the drawing board – with precious little time to find a new model leader.

A decision is expected in June. Dutch prime minister Wim Kok would fit the bill and has strong backing in the foreign office – though Blair thinks he'd have a job extricating himself from domestic politics at present.

There are also growing uncertainties whether another Downing Street favourite, former Italian prime minister Romano Prodi, will go all the way to the wire as a candidate. That leaves Nato secretary-general Javier Solana as the horse for Blair to back – though the Spanish government won't say if he'll be nominated.

So there's mounting fear at Number 10 that the affair could end in a Euroland stitch-up that once again leaves the British out on a limb. Expect plenty of shady horse-trading over the next few weeks.

## Smoked out

Most Russians may be struggling to survive in the wake of the economic crisis that took hold in August, but some are apparently just about managing to keep their heads above water. How else to interpret the somewhat swanky new Embassy Club in Moscow?

Billed as a haven for the elite, members can come in from the cold, rub shoulders and debate the country's problems in smoke-filled rooms. Especially since the centrepiece of the venue is its cigar-smoking lounge. Now the club is trying to recruit an accountant – they're demanding a non-smoker.

## The Financial Times

### 100 years ago

**German Naval Competition**
It is satisfying to find that the Germans acknowledge that they are still behind Great Britain in some respects in shipbuilding, but it is evident that they do not intend to be content with the laurels already won. According to the report of the Commercial Attache to the British Embassy in Berlin, the German Naval Bill in the spring of 1898, which authorised an expenditure of large sums on new men-of-war [warships] during the next six years, has given a great impetus to the industry, and keener competition than ever must be expected by British manufacturers.

### 50 years ago

**U.S. Terms For Europe**
Mr. Paul G. Hoffman, Marshall Plan Administrator, said yesterday that Europe must take immediate and major steps to "break away from its traditional and now inadequate ways of paying its way in the world." He was addressing a joint session of the Senate and House of Representatives Foreign Affairs Committee for support in his request for additional appropriations.

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FINANCIAL TIMES
TUESDAY FEBRUARY 9 1999

BUILDING HOMES OF INDIVIDUALITY FROM SCOTLAND TO THE SOUTH COAST
Bryant Homes

# THE LEX COLUMN

## Windows on the web

Marry the convenience of mobile phones with the reach of the world wide web and you get the "wireless internet", a killer application that promises to turn the net into a true mass-market product. Within five years, unit sales of fully wired handheld devices (from mobile phones to palm tops) are expected to reach 600m a year – more than three times the size of the personal computer market.

It is no wonder that companies from all corners of the technology and communications universe are teaming up to make this convergence work. British Telecommunications and Microsoft plan to develop the latter's pared-down Windows CE operating system for wireless phones and sell it to BT's corporate customers. Meanwhile, Cisco and Motorola say they will spend $1bn to build the infrastructure of a wireless internet.

For consumers all this parallel development is good news, because competing technologies can fight it out until the best wins. For investors, however, it makes picking winners much harder. But one prediction is worth hazarding: Microsoft will not dominate handheld devices in the same way as desktop computing. Its alliance with BT is clearly a second-best, after the dominant mobile phone suppliers – Nokia, Ericsson and Motorola – preferred to partner the less-threatening Psion. And even BT is hedging its bets: its deal with Microsoft is non-exclusive.

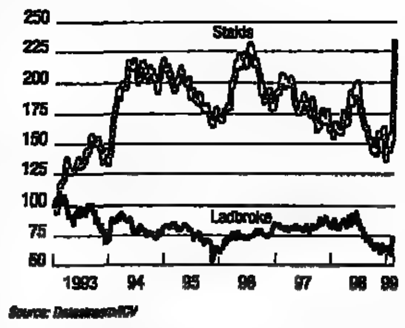
### Nomura

Nomura is right to assert more control over its freewheeling subsidiaries in New York and London. Having lost $1.2bn overseas last autumn – half in the US property market courtesy of New York, and the rest in Russia courtesy of London – a reappraisal was overdue.

Nomura's problem has been its failure to build fee and commission-based investment banking businesses overseas. Risky proprietary trading units of the sort it has built, staking scarce capital on the say-so of bonus-driven managers, have generally become a liability, not an asset. Bringing them under tighter supervision should help the shares, which have almost halved in the last year.

But Nomura should go further. Closing down overseas proprietary operations such as the US property side would send a

**Ladbroke/Stakis**
Share prices relative to the FTSE All-Share Index




Source: Datastream/ICV

powerful message, reducing risk exposure and allowing it to concentrate on the ever more competitive Japanese market. But such moves are unlikely. Full retrenchment would be too bitter a pill for Junichi Ujiie, Nomura's international-minded chief executive.

Significantly, Nomura's UK asset securitisation business, one of its most successful proprietary businesses, will not be affected by the changes. That may be rational if the UK business continues to make money because it manages risk better than its US counterpart. But Nomura shareholders will be hoping that the difference in performance is not merely down to luck.

### Share buybacks

One area of corporate activity in Europe has escaped the apprehension born of slowing economies: share buybacks. Nearly $60bn of them were announced last year. Although estimates of the amount completed vary from $22bn to $25bn, this is still about double the previous year's level. With the UK, Germany and France all enjoying liberalisation of buyback rules, a jump to $30bn-$50bn in completed purchases is forecast for 1999, according to estimates from JP Morgan and Morgan Stanley respectively. European companies certainly have the financial strength. Net interest could be paid 17 times out of operating cashflow.

The arguments in favour of share buybacks are well-rehearsed. The switch from equity to tax-sheltered debt should mean that a 10 per cent share buyback adds 3-4 per cent to a company's value. For cash-generative companies in mature markets, managements are rightly acknowledging that they have more cash than they can invest in projects that beat their cost-of-capital hurdle. Diageo, the UK food and drinks group, and BASF, the German chemicals concern, are two examples.

In the US and UK, buybacks already add around one percentage point to the yield on equities. While investors might worry about the blurring of income and – less certain – capital gains, the tax advantages suggest that buybacks will account for a growing proportion of European companies' payouts.

### Ladbroke/Stakis

Peter George, Ladbroke's chief executive, must wish he could have risked another Coral-style unconditional offer. The fit between Ladbroke's UK chain of Hiltons and Stakis's provincial stock is neat; the strengthened Hilton chain will dominate its four-star segment. Ladbroke's London casino business will also gain from exposure to Stakis's countrywide portfolio and impending deregulation in the sector. That Stakis also has a market-leading position in health clubs makes the deal outstanding for the UK leisure group.

Clearly the danger is that counterbidders prompt Ladbroke into overpaying. Last year's failed bids for the Inter-Continental hotel chain and the Coral betting business have already put Mr George's deal-making credibility on the line. And yesterday's rapturous market reception for the deal – Ladbroke's shares have been effectively re-rated with a 16 per cent rise – will only increase this pressure. Even now, Ladbroke will be pushed to match its 9-10 per cent cost of capital. Discounted to present value and taxed, Stakis's £110m of forecast 2000 operating profits and £16m of projected central cost savings give a return on the £1.46bn investment of only 6.5 per cent. Against the backdrop of a faltering UK economy in 1999, leveraging the Hilton brand and reservation system to lift Stakis's revenues per available room may be a tall order, but longer-term, the deal should delight.

# Nomura centralises global operations after losses

By Gillian Tett in Tokyo

Nomura Securities, Japan's largest securities house, is imposing centralised control over operations in the US and Europe in an effort to avoid further losses.

Nomura is bringing all global bond trading, equity trading, investment banking and risk management operations under the direct control of four senior Japanese officials based in Tokyo.

The move is a break with Nomura's decentralised management style during the last decade, which allowed each region a good deal of autonomy, and gave non-Japanese staff considerable influence.

Although Nomura signalled the centralisation plan in its interim statement, tensions are believed to have increased recently as business plans for the 1999-2000 financial year were submitted to Tokyo for approval.

The decision was partly triggered by losses last year as a result of the Russian financial crisis and a downturn in Nomura's US real estate securitisation business. These losses, which total at least $1.2bn, are expected to push the company into a Y200bn ($1.78bn) pre-tax loss in the financial year to March 31 1996, analysts say.

Masanori Itatani, a Nomura director and spokesman, said: "Before the Russian crisis we believed that local autonomy was a good thing. But our business model has drastically changed after the Russian crisis – we are moving from a decentralised model to a centralised model."

Nomura officials insist that greater centralisation should allow them to be more competitive. The three regional chief executives sit on the group-wide capital allocation committee. The move has been welcomed by some analysts as a sign that Nomura is starting to take a more streamlined view of its businesses.

The reforms, however, have also created deep unease among some non-Japanese staff in Europe and the US. Some fear the reforms will significantly undermine their influence.

The losses have also triggered internal criticism of Junichi Ujiie, Nomura's president. Mr Ujiie, who was appointed 18 months ago, used to run the US operations and is considered one of the most internationally minded senior Nomura officials. He is regarded as the key patron of Max Chapman, the US banker who is the most senior non-Japanese within the company. One Japanese official said: "There is a struggle going on about who will take the blame [for the losses]."

Nomura vehemently denies it plans any dramatic withdrawal from overseas operations. However, it plans to reduce sharply its real estate securitisation operations in the US, and cut the costs of its 4,000 overseas staff by 20 per cent.

In the US, Nomura said a "significant number" of staff had recently left Capital America, its real estate business, and there had been smaller cuts in other product areas.

*Additional reporting by Clay Harris in London*

See Lex

# China wants delay to foreign aircraft deliveries after 2000

## Chronic overcapacity to hit suppliers such as Boeing and Airbus

By James Kynge in Beijing

China has asked foreign aircraft manufacturers to postpone deliveries for two years from 2000, in a further sign that chronic domestic overcapacity is hurting foreign businesses.

An official from the Civil Aviation Administration of China (CAAC) said that airlines would be required to stop increasing capacity until the market improved.

He said orders for new aircraft by China's 23 domestic airlines would be strictly controlled in 2000 and 2001 if current corporate losses and ticket price wars persist.

His remarks are a blow for Boeing, the US aircraft manufacturer, and for Airbus, its European competitor. But the 43 aircraft scheduled to be delivered this year are unlikely to be affected.

Wang Zhi, a director at the Civil Aviation Administration of China, said more than 40 aircraft in the commercial fleet would be taken out of service this year, allowing for the delivery of 21 Boeing, 20 Airbus and two MD-90 aeroplanes.

The official China Daily newspaper quoted Mr Wang as saying that commercial aircraft manufacturers have been asked to postpone delivery for the two years from 2000.

The level of frustration felt by US business toward Beijing has risen sharply in recent months.

US officials have complained of new or threatened restrictive practices in shipping, pharmaceuticals, telecoms and insurance.

Foreign petrochemical companies last month acknowledged delays to projects worth several billion US dollars because of regional oversupply.

Tom Mclean, of Boeing in Beijing, said the company had not been notified of any request to postpone aircraft delivery.

"Boeing will deliver aircraft as planned unless otherwise notified," he said.

Dong Yuguo, of Airbus China, said the company had received "very few" requests by commercial airlines for delivery delays. It remains in negotiations with these clients.

But a CAAC official said the decision to delay delivery from 2000 did not rest with local airlines. "This is a government decision," he said.

China announced recently that two thirds of some 600 main manufactured products are in oversupply, and none is in shortage.

It has decided to limit production of many of them as a way of tackling the price wars that have slashed corporate profits.

Airlines have been among the most badly hit. Only Xiamen, Yunnan, Xinjiang and Sichuan airlines – out of a total of 23 carriers – were reported as profitable last year despite an overall increase in gross air traffic of 6.3 per cent, official figures show.

China halts crude sales to Japan, Page 4

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Bill Clinton arrives in Jordan with presidential predecessors (centre left to right) Gerald Ford, Jimmy Carter and George Bush. Page 5 AP

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# FT WEATHER GUIDE

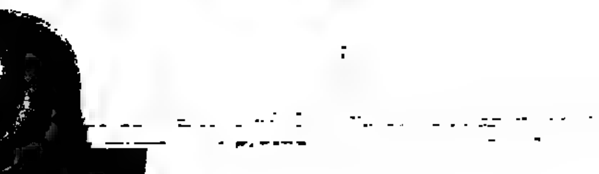
**Europe today**
Central and northern Europe will have another cold day with freezing temperatures away from the north-west. Heavy snow will affect the Massif Central and the Alps but low-lying parts of southern France will have rain rather than snow. The Low Countries, northern Germany, Poland and most of Scandinavia will have plenty of sun but there will be snow showers in coastal areas. Central and northern regions of Spain and Portugal, together with northern and western Italy, will be very showery, but the rest of the Mediterranean will be fine and dry.

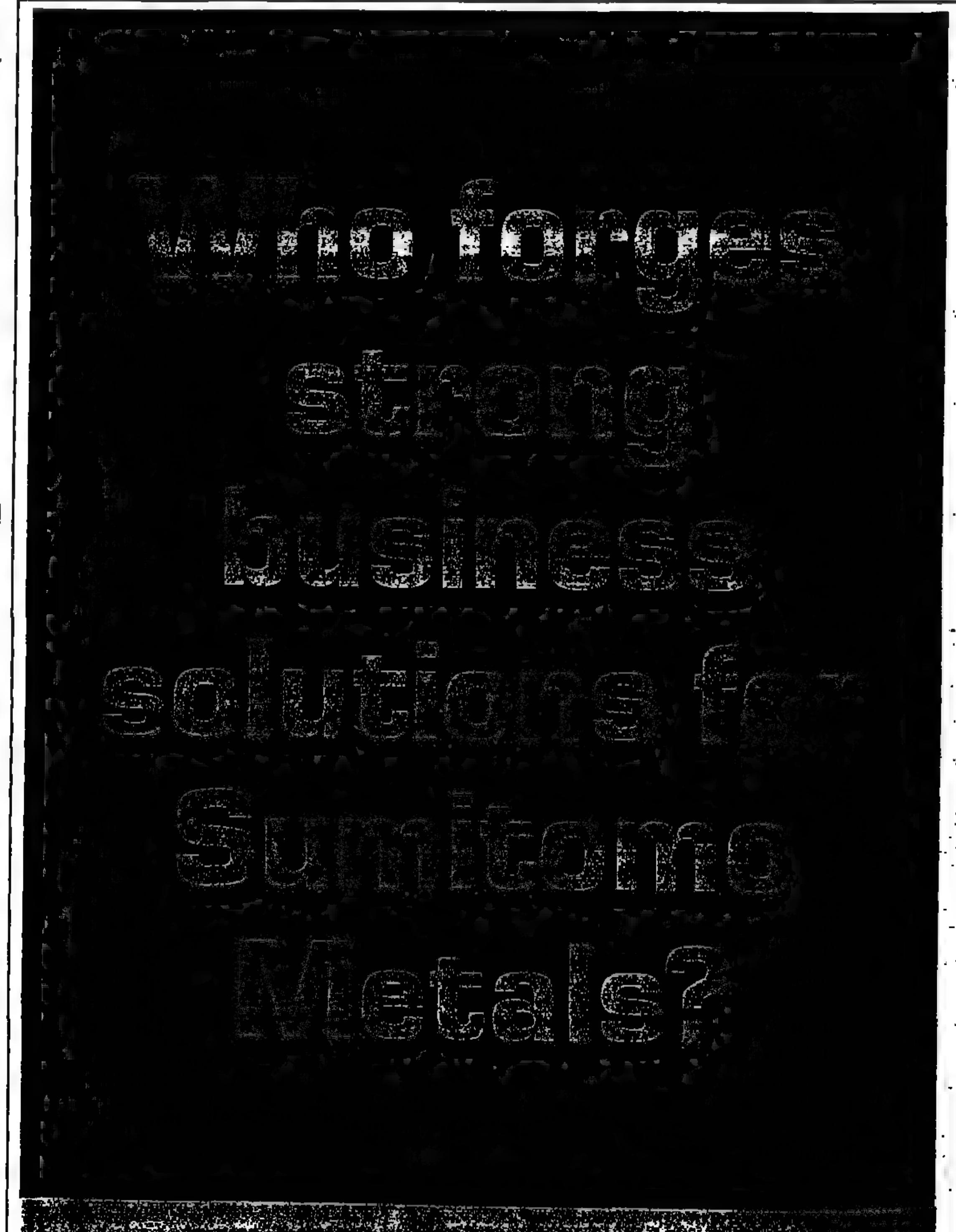
**Five-day forecast**
Most of central and north-western parts of Europe will be more settled by Friday, but it will stay cold with severe night frosts. The central and western Mediterranean will be cool with heavy showers. Greece will be bright and mild at first but rain will arrive by the end of the week.

Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHER CENTRE

**TODAY'S TEMPERATURES** (Maximum Celsius)

| | | |
|---|---|---|
| Abu Dhabi | Sun | 26 |
| Accra | Fair | 32 |
| Algiers | Sun | 15 |
| Amsterdam | Snow | 2 |
| Athens | Sun | 14 |
| Atlanta | Fair | 22 |
| B. Aires | Fair | 26 |
| B.ham | Sun | 3 |
| Bangkok | Fair | 31 |
| Barcelona | Fair | 11 |
| Beijing | Sun | 6 |
| Belfast | Fair | 2 |
| Belgrade | Rain | 5 |
| Berlin | Snow | -1 |
| Bermuda | Fair | 23 |
| Bogota | Cloudy | 18 |
| Bombay | Sun | 31 |
| Brussels | Snow | 1 |
| Budapest | Snow | 1 |
| C.hagen | Snow | -1 |
| Cairo | Sun | 21 |
| Caracas | Fair | 27 |
| Cardiff | Sleet | 4 |
| Casablanca | Fair | 17 |
| Chicago | Fair | 8 |
| Cologne | Snow | 0 |
| Dakar | Fair | 25 |
| Dallas | Fair | 27 |
| Delhi | Fair | 22 |
| Dubai | Fair | 27 |
| Dublin | Fair | 3 |
| Dubrovnik | Rain | 10 |
| Edinburgh | Fair | 2 |
| Faro | Fair | 16 |
| Frankfurt | Snow | 1 |
| Geneva | Snow | 2 |
| Gibraltar | Sun | 17 |
| Glasgow | Fair | 2 |
| Hamburg | Snow | 1 |
| Helsinki | Snow | -14 |
| Hong Kong | Sun | 22 |
| Honolulu | Fair | 26 |
| Istanbul | Shower | 9 |
| Jakarta | Shower | 30 |
| Jersey | Fair | 6 |
| Johannesburg | Fair | 28 |
| Karachi | Sun | 29 |
| Kuwait | Sun | 21 |
| L. Angeles | Shower | 17 |
| Las Palmas | Fair | 19 |
| Lima | Fair | 28 |
| Lisbon | Rain | 12 |
| London | Fair | 4 |
| Lux.bourg | Snow | 1 |
| Lyon | Sleet | 2 |
| Madeira | Fair | 17 |
| Madrid | Shower | 8 |
| Majorca | Fair | 15 |
| Malta | Fair | 16 |
| Manchester | Fair | 3 |
| Manila | Cloudy | 30 |
| Melbourne | Fair | 29 |
| Mexico City | Sun | 25 |
| Miami | Sun | 27 |
| Milan | Shower | 8 |
| Montreal | Snow | 3 |
| Moscow | Snow | -5 |
| Munich | Snow | 0 |
| Nairobi | Fair | 29 |
| Naples | Shower | 11 |
| Nassau | Sun | 27 |
| New York | Fair | 11 |
| Nice | Cloudy | 11 |
| Nicosia | Fair | 18 |
| Oslo | Fair | -7 |
| Paris | Snow | 3 |
| Perth | Fair | 29 |
| Prague | Snow | 0 |
| Rangoon | Fair | 34 |
| Reykjavik | Snow | -1 |
| Rio | Fair | 33 |
| Rome | Rain | 12 |
| S. Frsco | Rain | 17 |
| Seoul | Sun | 4 |
| Singapore | Cloudy | 31 |
| Stockholm | Snow | -6 |
| Strasbourg | Snow | 1 |
| Sydney | Rain | 24 |
| Tangier | Fair | 16 |
| Tel Aviv | Fair | 19 |
| Tokyo | Shower | 9 |
| Toronto | Fair | 10 |
| Vancouver | Shower | 4 |
| Venice | Shower | 5 |
| Vienna | Snow | -2 |
| Warsaw | Fair | -2 |
| Washington | Fair | 13 |
| Wellington | Sun | 19 |
| Winnipeg | Fair | 0 |
| Zurich | Snow | 0 |

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FINANCIAL TIMES
# COMPANIES & MARKETS
TUESDAY FEBRUARY 9 1999

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## INSIDE

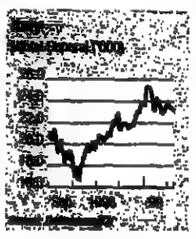
**Exchanges to forge global alliance**
Three leading derivatives exchanges are to offer round-the-clock trading on a single electronic platform in some of the most actively traded financial products. Matif, the derivatives arm of the SBF-Paris Bourse, the Chicago Mercantile Exchange, the second largest US derivatives market, and the Singapore International Monetary Exchange will start listing products on a common computer network from June. Page 26

**Hoechst shareholders set for boost**
Shareholders in Hoechst, the German pharmaceuticals and chemicals company that was criticised over the details of its planned merger with Rhône-Poulenc of France, may be the ultimate winners. The two companies have to sell their remaining non-core activities for the merger to proceed and Hoechst investors will benefit from the fact that those of Hoechst far exceed those of the French company. Page 20

**Stakis buy heralds more hotel deals**
With its purchase of Stakis's 54 UK hotels, Ladbroke has doubled the number of rooms under the Hilton brand to 16,000. It should save £16m ($26m) by combining its administration and marketing arms with those of Stakis. But some observers say the £1.16bn takeover is just the beginning for the sector. Page 22

**Okulov shakes up Aeroflot**
The blizzard blowing outside the window of the managing director of Aeroflot this weekend was mild compared with the powerful political storm brewing inside his company. In the last few days, Valery Okulov has overseen a radical shake-up that simplifies the corporate structure of Russia's largest airline and concentrates management more tightly in his hands. Page 20

**Italian investors embrace euro**



On a visit to Milan's new privatised stock exchange last month, Massimo D'Alema, Italian prime minister, admitted he had visited the New York exchange before the Milan *borsa*. It seems he is not the only one suffering from the country's mania for foreign things. Italians, the world's biggest savers after the Japanese, have been reshaping their portfolios to adapt to the euro. Equity funds investing primarily in Italy recorded a net outflow of €178.7m ($202m) last month but there was a net inflow for funds investing in the euro-zone. Page 38

**Jamaica provides support for sugar**
Jamaica's sugar industry, once the foundation of the island's economy, has been plagued by inefficient production and poor weather. In an effort to improve the situation, the government has provided financial aid and taken control of a number of mills in financial difficulties. Page 28

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# Global moves on wireless data

## Computer and cellular phone companies form links

By Louise Kehoe in San Francisco and Alan Cane in London

Leading software, internet technology and cellular telephony companies plan to create wireless data services that make information accessible anywhere via hand-held computers and "smart" cellular telephones.

The services are expected to be available in many parts of the world later this year and industry executives predict that by 2005 "smart phones" and other "information appliances" will be as commonplace as conventional telephones.

Alliances announced yesterday by companies including Microsoft, Motorola, Cisco Systems, British Telecommunications, Netscape and others, signal the rapid convergence of data and voice services in the wireless communications arena, mirroring similar trends in the "wired" world of telephone and cable networks.

Motorola, one of the leaders in cellular technology and Cisco, the biggest provider of internet networking equipment, announced a partnership aimed at creating the technology for cellular wireless internet services.

The companies said they planned to invest $1bn over the next four or five years to extend internet standards to cellular networks. They intend to set up four centres – in the US, Europe and Asia – where cellular service companies could test products and services.

In a separate alliance, Motorola joined with Nextel Communications, a US digital wireless communications service provider, Netscape Communications, the internet software company, and Unwired Planet, an internet software group, to introduce a service enabling Nextel customers to access a personalised internet "gateway" and exchange e-mail.

"This is the first step for the industry in bringing about the convergence between mobile voice and data services with the internet," said Dan Akerson, Nextel chairman and chief executive.

Netscape will operate the gateway website for the new service while Unwired Planet will provide its "micro-browser" for hand-held devices and other software.

In another development, Qualcomm, a leader in advanced cellular technology, teamed with US West, a regional telephone company, to test high-speed internet access via a cellular network.

Meanwhile, BT and Microsoft yesterday confirmed they were collaborating on a range of new internet and corporate data communications services to be provided to mobile customers around the world.

Sohail Qadri, BT's director of mobile strategy, said the services would be tested in the UK by some of BT's key corporate customers before being launched worldwide. He said commercial services would be available within a year.

The initial plan is to market the services to BT's 13m mobile customers in 10 countries. Concert, BT's international carrier, would distribute the services where BT had no subsidiary or partner.

Paul Maritz, Microsoft executive vice-president, said the cellular data services would bring a step closer Microsoft's goal of enabling information access from desktop PCs, mobile computers, cellular telephones and hand-held computers or from televisions and internet kiosks.

BT said it would use Microsoft microbrowser technology for its mobile handsets. The two companies intended to work together on wireless products based on Microsoft's Windows CE operating system.

Lex, Page 16

# Petrobrás opens up search for Campos basin oil

By John Barham in São Paulo

Petrobrás, Brazil's national oil company, has signed a joint venture agreement with a group of international oil companies which opens the country's largest oil producing region to foreign investment for the first time.

Amerada Hess of the US will operate the venture which has three years to explore for oil in one block in the Campos basin, off Rio de Janeiro. Until now Petrobrás alone operated this basin, which produces 885,000 barrels of oil per day, three quarters of Brazil's oil output.

Amerada Hess and its private sector partners British Borneo and Brazil's Odebrecht will also explore for oil or gas in the offshore Santos basin off the coast of São Paulo. Petrobrás will hold the largest stake in both joint ventures, but will have a minor role in exploring the two blocks.

Rex Gaisford, executive vice president for global development at Amerada said Brazil's economic turmoil had little bearing on negotiations which begun over three years ago.

He said the contracts require the companies: "to carry Petrobrás for a certain portion of the expenditure for a total of three wells and seismic surveys. If we are successful, the typical cost for developing one field will be $1bn."

The Campos block has estimated reserves of 555m barrels of oil and the Santos block has estimated reserves of 2bn barrels of oil and gas. Petrobrás has oil and gas reserves equivalent to 16.9bn barrels of oil.

Petrobrás is signing joint venture agreements with private companies to develop areas where it lacks sufficient capital to invest in a loan.

The government has relaxed oil industry regulations and lowered royalties and taxes to attract investment. It has also allowed companies to export oil produced in Brazil. Mr Gaisford said: "Although the sensible thing would be to sell [oil] into the domestic market, the important thing is to have dollar prices, isolating us to a certain extent from the vagaries of the local market."

Mr Gaisford said he hoped for an extension of the contract period to 6-10 years.

Brazil's hangover, Page 7

# SmithKline Beecham set to sell healthcare divisions

By David Pilling, Pharmaceuticals Correspondent

SmithKline Beecham is expected to announce the sale of two US healthcare divisions, Clinical Laboratories and Diversified Pharmaceutical Services.

The sale, which may be confirmed as early as today, is an effort to focus on its core business of pharmaceuticals.

DPS, a pharmacy benefit business used by insurers and health maintainance organisations (HMOs) to manage drug prescriptions cost effectively, is expected to fetch about $700m. The buyer is thought to be a US company.

Estimates vary widely on the value of Clinical Laboratories, a blood and urine diagnostics business, which last year made operating profits of £90m ($147m) on turnover of about £900m. Analysts put the sale price at anything between £400m and £900m.

It is not known whether the two divisions will be sold in one transaction, or whether two buyers are involved. SB last night refused to comment.

Investors are likely to welcome SB's withdrawal from its so-called "integrated healthcare" strategy, developed partly in response to the Clinton healthcare reform plans at the beginning of the 1990s.

Jan Leschly, chief executive, had argued that cost-containment measures mean only those companies with patient information would be able to increase their sales effectively. Diagnostics and treatment would become far more closely integrated, he argued.

In the event, US healthcare policy did not develop as SmithKline – and other companies such as Eli Lilly of the US – had envisaged. Strong patient advocacy ensured that drug companies were not able to influence prescribing in the way they had hoped.

Analysts said they welcomed a more focused strategy at SB, saying Mr Leschly had shown "courage" in admitting his vision had been flawed.

The company's volte-face was made easier when Eli Lilly sold its pharmacy benefit business at a hefty loss last year.

"If they packaged the two together that would be a very neat disposal," said one London-based analyst. "Nobody would shed any tears over the loss of those businesses. It would be an earnings-enhancing deal."

SB, which must compete with research intensive companies such as Pfizer of the US, is likely to use cash from the sale to license in products and to develop internal projects. The company, which has some promising cancer treatments, wants to build a franchise in that area.

SB, which last year sought to improve its performance through merger, needs big products to replace its existing blockbuster drugs if it is to maintain strength as an independent group.

Augmentin, SB's broad-spectrum antibiotic, begins to lose its patent in two years. Sales of Paxil/Seroxat, an anti-depressant, are strong and growing. But these could be adversely affected when Lilly's Prozac loses protection from generic competition in 2003.

SPECULATION OVER BID FOR GERMAN CARMAKER DRIVES SHARE PRICE UP BY MORE THAN 8%

# BMW rises on talk of takeover

By Haig Simonian, John Griffiths and Juliette Jowit

Shares in BMW rose sharply yesterday on speculation that the German luxury carmaker could be the motor industry's next takeover target following the dramatic removal of Bernd Pischetsreider as chairman last Friday.

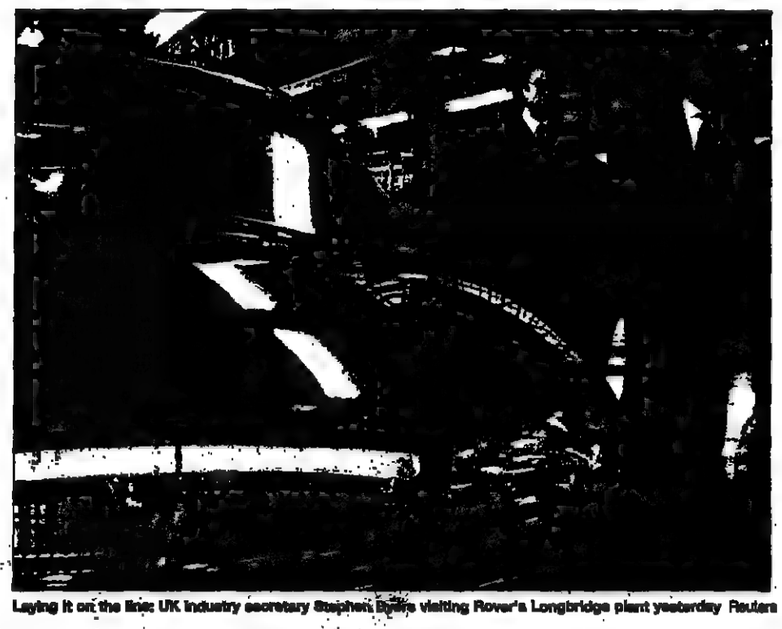
The strong demand, which saw BMW closing up more than 8 per cent at €726.49 ($612), was accompanied by sharp upgrades from analysts recommending the stock as a speculative or strategic buy.

Some analysts predicted that Joachim Milberg, BMW's new chairman, would be forced to take tougher action with Rover, BMW's loss-making UK subsidiary.

Worries about Rover prompted Stephen Byers, the UK Trade and Industry secretary, to visit Rover's plant at Longbridge in Birmingham where he appealed to BMW's new leadership to keep it open.

Top motor industry leaders have joined analysts in suggesting BMW could find itself the subject of a takeover bid. But few believe the secretive Quandt family, which owns about 46 per cent of BMW, would sell. BMW said the company wanted to remain independent.

Heavy losses at Rover and the dim prospects of early recovery lay behind the removal of Mr Pischetsrieder. He had favoured retaining Rover as a volume carmaker, foreseeing the need for heavy investments at its Longbridge plant for new mainstream models. Mr Milberg and BMW's largely reconstituted board are expected to retain the broad outlines of that plan, although there are still fears in the UK that Longbridge could be closed.



Laying it on the line: UK industry secretary Stephen Byers visiting Rover's Longbridge plant yesterday Reuters

BMW is expected to decide in the next few weeks how to proceed on replacements for the slow-selling 200 and 400 models which lie at the heart of Longbridge's problems.

The company is expected to make a strong pitch for UK Government aid as a condition of the replacements being built at Longbridge, having compiled studies understood to show the cars could be built more cheaply in countries outside the EU such as Hungary.

Discussions about government funding for the £1.3bn ($2.13bn) project are continuing but no formal application has been made, Mr Byers said after a series of meetings at Longbridge with management and unions yesterday.

Urging BMW to keep the factory open, Mr Byers said: "I hope now the board of BMW will reaffirm their commitment to Longbridge."

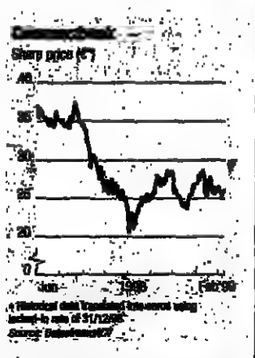
British union leaders warned Longbridge would be "substantially slimmed down" with significant further job cuts among the 14,000 employees.

# Commerzbank to lift risk provisions

By Tony Barber in Frankfurt

Commerzbank, Germany's fourth largest commercial bank, is to make greater than expected risk provisions for last year, indicating that the nation's banking sector may not yet have recovered from the turmoil in international financial markets.

Commerzbank said Asia's difficulties had caused it to make risk provisions of DM1.75bn ($1.01bn), below the DM1.85bn put aside in 1997, but higher than the DM1.6bn which the bank, last November, estimated would be necessary.




Martin Kohlhaussen, the bank's chairman, who announced preliminary results to its supervisory board yesterday, did not specify what problems had emerged over the past three months to require an increase in the provisions.

Like other European banks, Commerzbank has struggled to weather the storms in south-east Asia, Russia and other emerging markets.

According to banking analysts in Frankfurt, Commerzbank has had the largest exposure to south-east Asia of all the main German banks over the past two years. However, unlike rivals such as Deutsche Bank and Dresdner, Commerzbank avoided exposure to Long-Term Capital Management, the US hedge fund that almost collapsed last year.

In further contrast to its main German competitors, it was able to improve its cost base by avoiding expensive commitments to investment banking.

The bank said its net commission income and trading performance had shown encouraging trends in 1998, but net interest income had declined slightly because the bank had concentrated its lending on borrowers with a high credit rating.

Group profit after tax rose from DM1.27bn in 1997 to DM1.87bn, slightly higher than most analysts' predictions, which had ranged between DM1.45bn and DM1.6bn. However, analysts said the 1998 results had been lifted by a rise in income from financial investments to about DM1bn. This appeared partly to reflect the tax-free sale of stakes in Credit Suisse and Banca Commerciale Italiana.

A direct comparison between the bank's performances in 1997 and 1998 was complicated by the fact that Commerzbank switched last year from using German accounting standards to using International Accounting Standards.

The bank said it had allocated about DM1bn to reserves last year, compared with only DM578m in 1997. It also said total assets had risen by 20 per cent last year to DM647bn.

December 1998
This announcement appears as a matter of record only
$168 million management buy-out led by Electra Fleming
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Electra Fleming Limited
International Private Equity
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London WC2B 6QT
Tel +44 171 831 6464
Fax +44 171 404 5388
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**INVESTMENT BANKING** CONSULTANCY SAYS MACRO-ECONOMIC FACTORS ACCOUNT FOR 50% OF OPERATING RESULT

# Half bank profits 'outside their control'

By Clay Harris, Banking Correspondent

Investment bankers may fancy themselves masters of the universe, but half their operating profits are determined by macro-economic conditions outside their control, according to a leading management consultancy.

The extent to which investment banks are prisoners of external conditions is *likely to be the subject of* considerable debate during annual bonus discussions.

It emerged in a statistical analysis undertaken by A.T. Kearney of the financial results between 1985 and 1997 of 12 of the world's largest investment banks.

The firm said it had identified six variable factors which had a significant impact on operating profits. But taken together, these accounted for only half of profits. The balance was determined by external factors *such as economic* growth, interest rates and the yield curve.

Paul Reyniers, European head of A.T. Kearney's financial institutions group, said: "The harsh reality is that top management will destroy value unless they focus on speed of information and the quality of risk management."

Mr Reyniers said the analysis pointed to an increasing dominance of the securities and mergers and acquisitions markets by a "super bulge bracket": Merrill Lynch, Morgan Stanley Dean Witter and Goldman Sachs.

The most important variable factors were size, as measured by growth in equity capital, and the pattern of investment.

For example, with all other *factors remaining* constant, each $1 increase in equity capital lifted operating profits by 18 cents, and every $1 increase in the growth of non-interest expense – including information technology and personnel – raised profits by 33 cents.

But the cost of adding jobs alone outweighed the additional revenues generated. For a bank with $100bn in assets, a 1 per cent increase in the rate of headcount growth reduced operating profits by $3.7m.

Increasing overall market share accounted for only 3 per cent of profits, the firm said.

Doubling market share from one year to the next increased profits in the M&A advisory business – by $208m for a bank with $100bn in assets.

But for a bank of the same size, doubling its share of the low-margin primary debt market reduced operating profits by $256m.

The analysis was based on 13 years' results of Bankers Trust, Credit Suisse First Boston, Donaldson Lufkin & Jenrette, J.P. Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley Dean Witter, Nomura, Paribas, Salomon Brothers (now Salomon Smith Barney), Schroders and Warburg Dillon Read.

# Regulators turn up online trading heat

Hands-off approach to sector appears to be coming to an end, writes **John Labate**

Last week marked a turning point for the US online brokerage industry.

As E*Trade, the popular *California-based internet* broker, was unable to contain a software glitch that left many of its customers stranded for several days, regulators at the state and federal levels began to stir, taking action in the face of growing complaints about slow, or at times non-existent, service.

Eliot Spitzer, New York State's attorney general, launched an investigation on behalf of consumers.

In Washington, the Congressional Committee on Commerce, *led by ranking* Democratic member John Dingell, fired off a letter to Arthur Levitt, head of the Securities and Exchange Commission, requesting a briefing about "the capacity and other operational problems affecting online trading systems".

With the industry under greater scrutiny, it remains uncertain what form new regulations might take. It does seem clear, though, that the more or less hands-off approach to the fast-growing internet investment sector is coming to an end. *Some observers* foresee a set of guidelines that may for a time curb the industry's thrust for new online consumers.

"If you're still bringing in new customers at the expense of existing customers, that won't fly," said Alex Stein, a principal and founder of Gomez Advisors. "I think there will be procedural requirements to equate substantial marketing growth with increases in infrastructure, as well as minimum requirements to handle peak volume days."

**It does seem clear that the more or less hands-off approach to the fast-growing internet investment sector is coming to an end**

Most industry analysts have expressed mild concern about the temporary service breakdowns that have hit the likes of Charles Schwab, Waterhouse Securities and now E*Trade in recent months.

They see it all as part of the sector's evolution and expect it to be overcome. The recent spate of outages are sporadic, rarely hitting more than one of the leading brokers simultaneously.

Angry daytraders, some of whom claim to have lost thousands of dollars in a single day's outage, are less than satisfied. Some say that when some trades do go through, they are left uncertain of the price they actually paid for shares. Many are now forced to open accounts at more than one online broker to guarantee access to fast and reliable trading on volatile trading days.

Online brokers say they are doing their best to provide more than enough capacity to meet rising trading volumes, but they have also been hit by unprecedented demand in recent months. Leading trading firms such as Waterhouse Securities, now the second largest, say the level of trades processed in January rose by as much as 50 per cent from fourth-quarter levels.

What is clear is that the troubles with online brokers stem from the dual nature of their business, half internet *company and half stockbroker.*

As online companies, they are forced to spend millions in advertising and alliances to attract the widest internet audience possible. The biggest expense for the industry is not technology, but marketing. Online brokers spend on average about $300 to attract each new customer account.

As stockbrokers, however, they are expected to perform at a level of service unmatched by other sectors on the internet, processing thousands of trades per day with split-second accuracy.

The situation is similar to *the troubles America Online* faced in early 1997 when the company's switch to flat-rate pricing set off a wave of demand that subsequently crashed its system.

When 36 states accused the company of fraud and threatened lawsuits, AOL was force to pay millions of dollars in refunds and suspend a new advertising campaign to ensure that its system could handle its existing customer base.

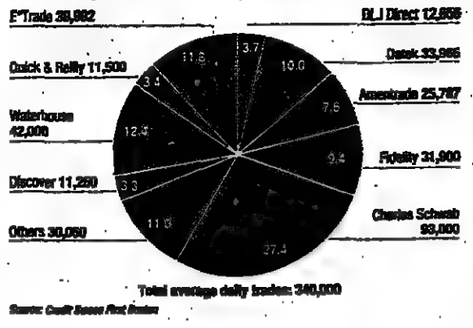
Again, the difference is that when online brokers suffer outages, their customers stand to lose much more than just access to the internet, but lost opportunities *and sometimes lost dollars.*

In the end, the staggering growth expected for many online brokers may be helped, rather than hindered, by new regulations.

"Perhaps there will be some third party to test the capacity of the trading systems and to make sure they can handle spikes in demand," said Stephen Franco, electronic commerce analyst at Piper Jaffray.

**Online trading industry**

Market share by firm, daily trades (fourth quarter 1998, % figure in chart)




Total average daily trades: 340,000

Source: Credit Suisse First Boston

## NEWS DIGEST

**BANKING**

### Ex-president of Citigroup to sell $43m stake

Jamie Dimon, the former president of Citigroup ousted last year, plans to sell 800,000 of his shares in the financial conglomerate, according to a filing with the Securities and Exchange Commission. At yesterday's share price of $54¼, Mr Dimon's stake is valued at around $43.4m. Mr Dimon, who was widely tipped to be leader of Citigroup before his surprise departure last year, owned around 3.2m shares including options, as of last March.

Mr Dimon's departure came amid difficulties melding Citigroup's corporate banking business with Salomon Smith Barney, following the merger of Citicorp and Travelers Group. His exit followed a cooling in his once-close relationship with his mentor, Sandy Weill, now co-chairman and chief executive of Citigroup and formerly head of Travelers.

Rumours have linked Mr Dimon with financial services groups including Bankers Trust and American International Group. *Tracy Corrigan, New York*

**PRIVATE INVESTMENT**

### Hicks Muse fund closes

Hicks Muse Tate & Furst, the private investment and buy-out firm, has closed a $4.1bn fund created to invest in a diversified portfolio of businesses in a wide range of industries. About half of the fund's capital has already been committed to investments and add-on acquisitions by its portfolio companies, the firm said.

Hicks Muse said the fund had raised more than $10bn for global private equity investments since its formation in 1989. In addition to the latest fund, Hicks Muse has a *$964m fund to make private equity investments in Latin* America. About 20 per cent of the latest fund's limited partners are outside the US, the firm said. **Reuters, Dallas**

**INFORMATION TECHNOLOGY**

### CA to buy CMSI

Computer Associates and Computer Management Sciences, a company which provides information technology consulting and software, have entered a merger agreement whereby CA will acquire CMSI through a cash tender offer followed by a cash merger.

A wholly-owned subsidiary of CA will offer to purchase all outstanding shares of CMSI's common stock for $28 a share. CA will fund the acquisition through cash balances and existing credit facilities. Financial terms of the deal were not disclosed. The merger has been unanimously approved by the boards of directors of both CA and CMSI. **AFX, New York**


**NOKIA**

(Public limited company incorporated in the Republic of Finland)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the shareholders of Nokia Corporation (the "Company") of the Annual General Meeting to be held on Wednesday, 17th March, 1999 at 3:00 p.m. at The Helsinki Fair Centre, Congress Wing, Congress Hall C1, Rautatielaisenkatu 3, Helsinki, Finland. Registration of the persons present who have given a notice of their intention to attend will commence at 2:00 p.m.

**Agenda**

The following matters will be on the agenda of the Meeting:

1. The matters specified in Article 12 of the Articles of Association:
   (a) review of the annual accounts, comprising the Profit and Loss *Account, the Balance Sheet, the* Annual Report of the Board of Directors and the Consolidated Accounts;
   (b) review of the Auditors' Report;
   (c) approval of the Profit and Loss Account, the Balance Sheet, the Group Profit and Loss Account and the Group Balance Sheet;
   (d) decision on any measures to which the profit or loss shown in the approved Balance Sheet or Group Balance Sheet may give rise;
   (e) decision on discharging the members of the Board of Directors and the President from liability;
   (f) decision on the number of members to serve on the Board of Directors;
   (g) decision on the remuneration to be paid to the members of the Board of Directors and to the auditors;
   (h) appointment of members of the Board of Directors; and
   (i) appointment of the auditors and the deputy auditors.
2. A proposal by the Board to amend Articles 2, 4 and 13 of the Articles of Association essentially to the effect that:
   (a) the share capital be converted into euros and the minimum and maximum amounts of the share capital be amended as consequence of the conversion;
   *(b) the nominal value of shares be* split two-for-one and converted into euros, i.e. amended from FIM 2.50 to 24 cents;
   (c) the classes of shares A and K be consolidated and Article 13 concerning liability to redeem shares be modified as consequence of the consolidation;
   (d) a provision concerning the Nomination Committee be inserted in the Articles of Association.
3. A proposal by the Board to increase the share capital of the Company by €36,051,274.79 (FIM 214,351,146.08) through a bonus issue. The nominal value of each share be increased to 24 cents by a transfer corresponding to the amount of the increase from the share premium fund to the share capital.
4. A proposal by the Board to issue 36,000,000 stock options, which entitle to a subscription for 36,000,000 Nokia A shares, to key personnel of the Nokia Group and to *a wholly owned subsidiary of the* Company. The stock options are intended as part of the incentive program for key personnel of the Nokia Group. 12,000,000 of the stock options will be marked with the letter "A", 12,000,000 with the letter "B" and 12,000,000 with the letter "C". Each stock option will entitle to a subscription for one Nokia A share with a nominal value of 24 cents. The share subscription price for the stock option "A" will be *the trade volume weighted average* price of the A share on the Helsinki Exchanges on in the inclusive period of 8th-12th March, 1999 divided by two, for the stock option "B" the trade volume weighted average price of the A share on the Helsinki Exchanges during the last five trading days in March 2000 and for the stock option "C" the trade volume weighted average price of the A share on the Helsinki Exchanges during the last five trading days in March 2001. If the Annual General Meeting decides to give a special dividend, which decision is a deviation to the dividend policy of the Company, the amount of this special dividend will be reduced from the share subscription price which has already been determined. The period for the subscription of the shares will commence for the stock option "A" on 1st April, 2001, for the stock option "B" on 1st April, 2002 and for the stock option "C" on 1st April, 2003. The share subscription period will end on 31st December, 2004 for all the stock options.
5. A proposal by the Board to authorize the Board to decide on an increase of the share capital within a year as of the decision taken by the Meeting by a maximum of €28,800,000 in one or more issues. *A maximum of 120,000,000 new* shares each with a nominal value of 24 cents would be offered for subscription at a price and on terms determined by the Board. The Board also proposes to be authorized to deviate from the shareholders' preemptive rights to the share subscription, provided that from the Company's perspective important financial grounds exist such as financing of a business acquisition or another arrangement. It is also proposed that the Board be authorized to decide that a share subscription may be made in kind or otherwise on certain terms.
6. A proposal by the Board to amend the terms and conditions of the bonds with warrants issued in 1994, 1995 and 1997 due to the conversion of the nominal value of the shares into euros and the bonus issue.
7. A proposal by the Board to increase the capital of Nokia Corporation *Foundation by €2 million* to be used for the purpose of the Foundation to support the scientific development of the data and telecommunications technology and to promote the instruction in this field in Finland.

**The Accounts and Annual Report**

The accounts for the 1998 financial year and details of the proposals mentioned in paragraphs 2-7 above will be on display from 10th March, 1999 at the Head Office of the Company at Nokia House, Keilalahdentie 4, Espoo, *Finland, and the offices of Enskilda,* Skandinaviska Enskilda Banken at 2 Cannon Street, London EC4M 6XX. Copies of the documents and the full annual report in Finnish, Swedish and English will be available at the Head Office of the Company and will be sent to shareholders upon request to the Registrar. Such copies will also be available upon request at Enskilda from 10th March, 1999. The annual report is available at the internet page of Nokia (http://www.nokia.com) from 3rd March, 1999.

**Right to Vote**

Shareholders who are registered on the register of the shareholders held by Finnish Central Securities Depositary Ltd on 12th March, 1999 at the latest and who wish to exercise their voting rights at the Meeting must give notice to the Company of their intention to attend on 12th March, 1999 at 6:00 p.m. at the latest. Notice may be given to the Shareholders' Registrar by telephone during office hours +358 9 180 7542, or in writing to the Shareholders' Registrar, Nokia Corporation, P.O. Box 226, FIN-00045, Nokia Group, Finland or by telefax +358 9 452 3189. Written notice should arrive on 12th March, 1999 at 6:00 p.m. at the latest.

**Payment of Dividend**

The record date for the dividend for 1998 is 22nd March, 1999. The Board will propose to the Meeting a dividend of FIM 5.75 for each share and that the dividend be paid on or about 30th March, 1999.

**Composition of the Board of Directors**

Casimir Ehrnrooth, Chairman of the Board, has announced that he will not stand for reelection at the Annual General Meeting to be held on *17th March, 1999. The Nomination* Committee appointed by the Board of Directors has prepared a proposal on the composition of the Board to be made to the Annual General Meeting. The Nomination Committee has informed that it will propose that the number of members of the Board of Directors be nine and that Pirkko Alitalo, Edward Andersson, *Paul J. Collins, Jouko K.* Leskinen, Jorma Ollila, Robert F.W. van Oordt, Vesa Vainio and Iiro Viinanen be reelected to the Board, and Bengt Holmström be elected a new member of the Board, until the closing of the following Annual General Meeting. Mr. Holmström is Professor of Economics at M.I.T. in Massachusetts i Förenta Staterna.

**Espoo, 29th January, 1999**
**Board of Directors of Nokia Corporation**

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# ICA plans job cuts and asset sales to lift margin

By Andrea Mandel-Campbell in Mexico City

ICA the subway and tunnel builder and Mexico's largest engineering and construction company is trying to dig its way out of trouble with a restructuring plan to cut costs and boost sagging margins.

Management job losses, a $400m debt repayment and the sale of far-flung assets are in the works, said Bernardo Quintana, president, in an effort to boost prospects in one of Mexico's most battered sectors.

While the moves have prompted brokerage Salomon Smith Barney to upgrade ICA stock from "hold" to "buy", other analysts are more sceptical that ICA will *hold to its new* pledge to get involved only in clearly profitable projects.

"It's difficult to stick to specific rates of return when the pickings are so slim, and everybody and their brother are bidding on the few projects out there," said one analyst.

In the past ICA has often neglected returns, admits Mr Quintana, for the sake of keeping its engineers employed. As a result it has seen operating margins slip by a third. But now there will be a Chinese Wall between the construction and the investment sides of the business, he claims.

Mr Quintana vowed that ICA would not participate in upcoming airport privatisations if bidding levels remain as inflated as in recently concessioned airports.

As part of the restructuring, ICA has announced it will sell $200m-worth of non-core assets, including golf courses, a power plant, a hotel, and a few parking lot acquisitions that have since soured. But the bulk of the *cost cutting will come from* the surprise sale of its stake in Ferromex, Mexico's northern Pacific railroad, which ICA acquired only a year ago.

The funds will lighten ICA's hefty debt by nearly half to $530m by end of 1999. As of the third-quarter of 1998, net debt represented 38 per cent of the group's total capitalisation.

Mr Quintana says ICA has learned lessons: not to put up company equity in order to win a contract, and that any new project financing will be backed by the project itself. But first it is faced with the double challenge of winning scarce new projects and getting financing, which has become inaccessible with continuing market volatility.

Since the 1994 devaluation, government-sponsored projects have dried up while the country has seen an influx of foreign builders from Europe and Asia, heating up competition.

So all eyes are on tenders to upgrade three refineries owned by Pemex, the state-*run energy company, sched*uled for tender this month. ICA, together with US and Italian partners, is one of half a dozen consortia in the running for the construction contracts, worth an estimated $1bn.

If ICA does not win one, say analysts, 1999 earnings will inevitably be affected.

# Chubb to buy Executive

By Andrew Bolger, Insurance Correspondent

Chubb, the New Jersey-based general insurer, agreed yesterday to buy Executive Risk, a Connecticut-based company that covers corporate directors and officers, for about $748m in shares.

Dean O'Hare, Chubb's chairman, said the acquisition would generate annual savings of about $16m-$18m, but he emphasised the deal was not primarily about cutting costs.

"It's about revenue generation," Mr O'Hare said. "This is going to increase substantially our ability to grow one of our most profitable specialty lines, which is executive protection."

The terms of the deal call for Executive Risk shareholders to receive 1.235 Chubb shares for each Executive Risk share. Chubb shares fell $3⅜, or nearly 7 per cent, to $54¼ in midday trading. Based on that price, the deal valued Executive Risk at about $748m.

The deal comes about a week after Chubb reported lower fourth-quarter profits, as prices in the standard *commercial lines business* continued to deteriorate.

The decline in profits followed several disappointing quarters last year, which helped to fuel speculation about Chubb as a possible takeover target.

Chubb expected the transaction to result in decrease in earnings of about 2 per cent in 1999, followed by a slight increase in 2000. Shares of Executive Risk have been under pressure over the past year due to concern over exposure to losses related to lawsuits against executives for failure to properly prepare their businesses for the year 2000 computer problem.

*But Mr O'Hare said:* "I am extremely confident that Executive Risk's book is well protected from year 2000 exposure."


Financial Times Surveys

**Broadcast Media**

Thursday April 8

For further information please contact:

Justin Matham in London

Tel: +44 171 873 3760 Fax: +44 171 873 3062 email: justin.matham@FT.com

FINANCIAL TIMES

No FT, no comment.


# Free PCs come with taxing demands

By Roger Taylor in San Francisco

People who are reluctant to buy a computer because they know the price will be much lower in a few months time, can finally stop waiting. A Californian company has this week announced the arrival of the free PC.

From its website – free-pc.com – the company is offering a Compaq PC with a 333Mhz processor and 32MB of Ram for nothing. If that offer is not tempting enough, the company is throwing in a free internet access service as an added incentive.

The catch? To qualify, you must give the company a good deal of personal information about yourself, agree to use the machine for a minimum amount of time each month and accept some particularly invasive advertising.

The personal information is used to pick suitable advertisements to display on the computer screen. These advertisements will appear prominently in a frame around the working part of the screen.

And just in case you thought you could avoid them, by staying off-line, they will be stored on the computer and will be present even when you are not connected to the internet.

Free-PC is the brainchild of Bill Gross, chief executive of Idealab, an internet development company which has spawned a number of other internet ventures including eToys, an online toy retailer.

The company is initially giving away 10,000 PCs in a trial.

A number of industry commentators have long predicted the advent of the free PC as a way to promote online services.

With the cost of a PC now falling below $500 and the cost of acquiring new customers through traditional forms of promotion at or above that level for many businesses, it makes increasingly good economic sense to give away computers for nothing.

The Free-PC venture is being backed to the tune of $10m by USA Networks which operates a number of online businesses including Ticketmaster, Online-Citysearch and Home Shopping Network. Compaq will also benefit from the trial as the free PCs will direct users to its Altavista internet search service.

هكذا من الأصل

# It's official. Our thinking is highly thought of.

***Corporate Finance*** – January '99
**Top Banks of the Year**
Investment Bank of the Year
Equity-Linked House of the Year

***Corporate Finance*** – December '98
**Deals of the Year**
Equity-Linked Offering of the Year – Swiss Life GEMMS
Equity-Linked Offering of the Year – Bell Atlantic (runner-up)
Equity Offering/Privatization of the Year – Swisscom
Syndicated Loan of the Year – GEC
International Bond Deal of the Year – KPN (runner-up)
Yankee/144A Bond of the Year – Akzo Nobel (runner-up)
Buyout of the Year – Investcorp/Watmoughs – BPC
Buyout of the Year – KKR/Willis Corroon (runner-up)
M&A/Demerger of the Year – Coca-Cola Beverages (runner-up)
High Yield Bond of the Year – Sirona (runner-up)

***Euromoney*** – January '99
**Overall Winner of the Poll of Polls**
– No. 1 Underwriting
– No. 1 Trading
– No. 1 Advisory

***Institutional Investor*** – January '99
**Deals of the Year**
Loan of the Year – GEC
Equity-Linked Deal of the Year – Swiss Life GEMMS
Privatization Deal of the Year – Swisscom
Securitization Deal of the Year – Optimum Finance
Derivatives/Reverse Convertible of the Year – Goal

***International Equity Review*** – January '99
**Deals of the Year**
Best Equity-Linked Debt Issue – Swiss Life GEMMS
Best Swiss Equity Issue – Swisscom
Best Privatization Issue – Swisscom
Most Impressive Lead Manager of European Equity Issues

***International Financing Review*** – January '99
**Review of the Year 1998**
European Equity House of the Year
Equity-Linked House of the Year
European Equity-Linked House of the Year
Equity-Linked Issue of the Year – Swiss Life GEMMS
European Equity-Linked Issue of the Year – Swiss Life GEMMS
Privatization Issue of the Year – Swisscom
DM Bond of the Year – KPN
European Project Finance Loan of the Year – Saltend

Warburg Dillon Read, named "Investment Bank of the Year", *Corporate Finance*, January 1999.

Issued by UBS AG acting through its Investment Banking Division, Warburg Dillon Read, regulated in the UK by the SFA, to persons who are not private customers in the UK. In the US, Warburg Dillon Read LLC, a subsidiary of UBS AG, is a registered broker-dealer and member of SIPC, the New York Stock Exchange and other leading exchanges.

**PHARMACEUTICALS** SALES IN US AND EUROPE MAKE UP FOR FALLS ELSEWHERE

# Asia turmoil fails to dent Schering

By Tony Barber in Frankfurt

Schering, the German pharmaceuticals group, said yesterday it had suffered a sharp drop in sales in Japan and south-east Asia last year as a result of the region's financial and economic turmoil, but that a good performance in Europe and the US had made up the difference.

The share price of the Berlin-based company dropped by more than 2 per cent after the published preliminary 1998 results showed that turnover in south-east Asia had fallen by 28 per cent and sales in Japan had fallen by 10 per cent.

In Latin America, where Schering became caught up last year in a controversy over fake contraceptive pills that found their way on to the Brazilian market, the company said sales fell by 1 per cent.

Schering's results are expected to mirror those of other German exporters which relied increasingly last year on buoyant markets in Europe and the US to offset difficulties in Asia and, to a lesser extent, Latin America.

About 85 per cent of Schering's sales go outside Germany.

"Downturns caused by exchange rate developments were particularly noticeable in south-east Asia, Latin America, Turkey and Japan," the company said.

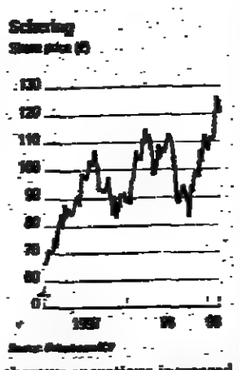
"Reductions in earnings in Asia and Latin America were fully offset by good business development in Europe and the US."

Schering, which in November became the first German company to proceed with a buy back of its own shares, said overall group profits had risen by 7 per cent last year to DM478m (€244m, US$276m) while group sales in terms of D-Marks had increased by 3 per cent to almost DM6.43bn.

Sales of Betaferon, the company's best-selling product, which is used in the treatment of multiple sclerosis, increased by 7 per cent to DM720m.

The product, which is marketed in the US under the name of Betaseron, accounted for more than one-third of turnover in Schering's therapeutics division, which reported an almost 5 per cent increase in sales to DM2bn.

Sales of the company's fertility control and hormone therapy operations increased by 8 per cent to DM2.27m, but sales of diagnostics products fell by 6 per cent to DM1.48bn.




# Mindev sues Ashanti in gold dispute

By William Wallis in Lagos

Mindev and Associates, the Belgian mining company, is suing Ghana's Ashanti Goldfields for $300m after a protracted dispute over the implementation of a share purchase agreement in a gold concession in the Democratic Republic of the Congo.

The move underscores what mining analysts say is the lack of a consistent mining policy in the Democratic Republic of the Congo. It has fuelled official corruption and led to litigation pitting foreign mining houses against each other and against the government.

As a result of this and political instability, many of the companies who rushed to seize what appeared to be a golden opportunity to exploit some of the world's richest mineral deposits after the overthrow of the late dictator, Mobutu Sese Seko, have found themselves unable to keep to investment programmes.

They have also been hampered by the growing reluctance of banks to provide financing.

Ashanti began negotiations to buy Mindev shares in the 2,000 sq km Kilimoto gold field in the north-east of the Congo in 1996.

Two civil wars in as many years, as well as the illegal handling of the concession by Congolese officials, have stalled exploitation of the area, believed to contain some of the most concentrated deposits of gold ore on the continent.

It is understood that Mindev's claim hinges on delays in honouring an original agreement, which included provisions for an investment of more than $300m. It is also alleged that the company capitulated to a bid by Ashanti to take over its entire majority stake in the concession after its contract was illegally revoked by a government order in 1997.

A court in Brussels, ruling last Friday on procedural matters only, issued an injunction enforcing confidentiality obligations on issues that arose during earlier mediation.

As a result, Mindev will have to reissue a request for arbitration at the International Court of Commerce in Paris, withdrawing allegations that mediation had failed due to Ashanti's "bad faith".

It was only at the end of last year that the Congolese government recognised Ashanti's rights to the concession. This followed the arrest of several Congolese mining officials for the role they played in awarding it illegally to a third company, Russell Resources.

It was also after the area in which the concession is situated had fallen under the control of Ugandan-backed rebels fighting to end the two-year rule of President Laurent Kabila.

Ashanti's legal team said they were confident the claims against the company were "unfounded", and added that they were suing Mindev for damages at the International Court of Commerce. They were less confident that they would be able to access the Kilimoto concession in the near future to exploit the gold.

# MSDW may boost Spanish presence

By Tom Burns in Madrid

Morgan Stanley Dean Witter, the global US financial services company, is expected today to boost its local presence in Spain by acquiring AB Asesores, the securities house, in a transaction thought to be worth $300m-$400m.

The takeover will give Morgan Stanley an edge over other overseas companies seeking a slice of Spain's mutual funds business.

The absorption of Asesores, which is Spain's biggest non-bank financial services group with $4.3bn under management at the end of last year, also highlights the vulnerability of domestically orientated institutions in the euro-zone

Salvador Garcia Atance, a founding partner of Asesores and its chief executive, said: "When a global institution like Morgan Stanley decides that a local presence is important it is because that is what investment banking will look like in the future. We ourselves would have had difficulties in the long term without a global dimension."

Morgan Stanley, which last year obtained the largest share of Spain's merger and acquisition business, and became the leading issuer of Spanish equities, now moves forcefully into the domestic retail market with an Asesores network of 44 nationwide offices serving 40,000 high-net-worth clients.

Merrill Lynch travelled along the same global-local road to enter the Spanish market three years ago when it paid $29.7m for FG, a Madrid firm that at the time rivaled Asesores as an independent broking house. Last year Merrill said it would move into private banking in Spain by opening four regional offices, one of which is already operating in Barcelona.

The Morgan Stanley deal is different because Asesores already runs a strong private banking franchise modelled on that of US financial services institutions, and comes at a time when the domestic mutual fund business has gathered a seemingly unstoppable momentum.

In the past three years Spain has become a star performer in the asset management business.

Managed mutual funds at the end of last year totalled approximately $245bn, up from $125bn in December 1997 and forecasts for the compound annual growth rates over the next four years range from 13 per cent to 22 per cent.

Overseas institutions have found it hard to penetrate the market because more than 90 per cent of the funds under management are controlled by Spain's commercial and savings banks. International fund management groups have been forced to negotiate distribution agreements with big domestic institutions.

**AEROFLOT** MD HOPES MANAGEMENT SHAKE-UP WILL PUT AIRLINE ON THE RIGHT COURSE

# Clear for take-off despite storms

By Andrew Jack in Moscow

The blizzard blowing outside the window of the managing director of Aeroflot this weekend was mild compared to the powerful political storm brewing inside his company.

In the last few days, Valery Okulov has overseen a radical shake-up that simplifies the corporate structure of Russia's largest airline and concentrates management more tightly in his hands. Where there were six senior vice presidents and many little "empires" across the group, now there are two first deputy general managers reporting directly to him. The management committee of 20 has been cut to 15.

As the company yesterday announced its results for last year, Mr Okulov conceded that the company had scraped a small profit amid tough conditions for the cargo and passenger business.

It is a move designed above all, he said in an interview, "to tighten control of the company and make it transparent. We want the company to be more attractive to investors. We want to build a completely new Aeroflot." He stressed that all links with the airline's international investors and business partners would remain untouched.

He did his best to make the case for the recent changes in purely managerial terms, stressing that "we don't consider it to be a question of personalities". Since the state sold a 49 per cent stake in 1994, the group has come a long way, closing a number of routes that had been operated for reasons of prestige more than profit and noticeably improving customer service.

But in Russia it is hard to separate business from politics, especially in view of those who have been reshuffled. Insiders say the changes that have taken place are the latest development in a long-standing conflict between Mr Okulov's team and a group of executives within Aeroflot closely connected to Boris Berezovsky, the business "oligarch".

Mr Berezovsky helped to bankroll President Boris Yeltsin's re-election in 1996, and is reportedly a friend of Tatiana, his younger daughter. Mr Okulov, who became managing director in May 1997, is a career navigator for Aeroflot. He is also married to Elena, Mr Yeltsin's elder daughter.

While Mr Berezovsky denies he has any connection with Aeroflot, others suggest he indirectly owns a significant proportion of shares. Some insiders argue he was behind attempts at the start of this year to acquire equity from existing shareholders via Aeroflot Tour Group and Aeroflot Tours.

Hands on: Valery Okulov has taken greater control AP

Importantly, a number of key executives at Aeroflot are said to be close to him. Above all, Nikolai Glushkov, who worked at Mr Berezovsky's LogoVAZ group, joined Aeroflot, went back to LogoVAZ but remains on the airline's board.

With relations tense between Mr Berezovsky and the government of Yevgeny Primakov, and raids by prosecutors on companies linked to the oligarch, Mr Okulov appears to have taken advantage of the situation. So far, Mr Glushkov remains. But others who have lost their places in the reduced management committee were in the Berezovsky camp.

Aeroflot's commercial director, a former LogoVAZ executive, was suspended last week following an internal audit inquiry. The head of Aeroflot Group Tours is expected to leave soon. AvtoVAZ is no longer the airline's bank. And while Mr Okulov will not confirm that links with Andava will be cut, he stresses that future contracts will be the result of competitive tenders.

Whatever the reasons, analysts argue that the consolidation of management is positive for shareholders – although the outlook still remains bleak in an airline market severely shaken by last year's crisis.

Steve Thomson, with United Financial Group in Moscow, says: "Aeroflot is by far the most likely airline to survive, but it's survival by attrition, not by strength."

The battle may not be over. Yet Mr Okulov is pressing ahead with his business plans, including the continued development of Aeroflot's hub system across Russia, and the $70m first phase of a dedicated third terminal at Moscow's Sheremetyevo airport.

# Metallgesellschaft aims to buy Gea

By Tony Barber in Frankfurt

The German industrial group Metallgesellschaft, which has returned to profit after being rescued from near-collapse in 1993, launched a strategic realignment of its business yesterday when it announced plans to acquire Gea, a medium-size company specialising in advanced-technology machinery.

MG said it would use 20m of its own shares plus cash to buy a 74.85 per cent stake in Gea, based at Bochum in the heart of Germany's Ruhr industrial region. The deal is estimated to be worth more than €310m ($350m), based on MG's closing share price last week of €15.70.

MG described the purchase as part of a wider restructuring in which it will withdraw from metal trading and dispose of its building systems division, concentrating instead on two core activities – engineering and chemicals.

Investors welcomed the acquisition, pushing up MG's share price by 14 per cent and Gea's by more than 20 per cent. MG said its future engineering subgroup, consisting of Gea and Lurgi, a Frankfurt-based subsidiary that specialises in turn-key plants and engineering technology, would have joint annual sales of almost DM10bn (€5.1bn, $5.8bn).

Co-operation between Gea and Lurgi would bring additional annual earning potential of at least DM100m, mainly from higher productivity, joint purchasing and other cost savings.

MG ran into trouble more than five years ago when its US-based oil and gas trading subsidiary incurred heavy losses, leading to a bail-out that cost creditors and shareholders more than DM3bn. However, the company reported yesterday that its net profit in 1997-98 had risen by 28 per cent to a record DM303m, and sales had increased by 18 per cent to DM21.4bn. It predicted a rise in this year's group profits of more than 10 per cent.

Gea, which relies on exports for about 80 per cent of its sales, increased its 1998 net profit by 20 per cent to DM192m. MG is acquiring its stake in Gea from Guyerzeller Bank of Zurich, which is pooling shares from institutional and private investors as well as from the Gea founder family. Merrill Lynch acted as MG's advisers in the deal. JP Morgan advised the selling consortium of Gea shareholders.

# Hoechst investors set for surprise gain

Sale of non-core assets in merger with Rhône-Poulenc adds value, writes **Uta Harnischfeger**

Shareholders in Hoechst, the German pharmaceuticals and chemicals company, strongly criticised two months ago over the deal it reached for its planned merger with France's Rhône-Poulenc, may find themselves the ultimate winners.

Because both companies have to sell their remaining non-core activities as a precondition of a full merger, Hoechst shareholders will benefit from the fact that those of Hoechst far exceed those of the French company.

Hoechst is now studying how to enable shareholders to partake of the gains from its divestments. "We will have to look for ways to give these values back to our shareholders," Hoechst said.

In an interview, Hoechst's chief financial officer Klaus-Jürgen Schmieder said the company would ask its shareholders to approve share buybacks at a meeting on May 4.

As a result, in coming years Hoechst shareholders may see special dividend payments and share buybacks, or receive a larger stake in the merged company Aventis than the 50 per cent that had been originally planned.

Executives at Rhône-Poulenc insist the 50:50 split is not negotiable. Hoechst's remaining non-core assets are worth at least DM10bn after taxes. Based on Hoechst's market capitalisation of about DM40bn (€20.5bn, $23.1bn), that adds about 25 per cent to the value of each Hoechst share.

Hoechst still owns Celanese and Ticona, which it intends to jointly list some time soon, industrial gases unit Messer Griesheim, chemicals unit Wacker, a 45 per cent stake in speciality chemicals firm Clariant and HR Vet, which it decided not to merge with Rhône-Poulenc's own animal health joint venture, Merial.

Rhône-Poulenc's remaining non-core asset, its 68 per cent stake in speciality chemicals firm Rhodia, is worth roughly DM2.7bn. Meanwhile, Hoechst's and Rhône-Poulenc's core assets, or life science activities, are valued equally.

That means that both Hoechst and Rhône-Poulenc which will be called Aventis Hoechst and Aventis Rhône-Poulenc after July 1, will each hold a 50 per cent stake in Aventis before merging in two to three years. If need be, the ownership question could then be revised.

But if, by the time of the full merger, Hoechst has not distributed to its shareholders the money from its divestments, each company's assets would have to be reassessed, said Mr Schmieder. "It doesn't have to necessarily result in a 50-50 ownership."

Igor Landau, managing director at Rhone Poulenc and on the supervisory board of Aventis, responded: "The deal is clear – it's a merger of equals, full-stop."

He acknowledged that Hoechst was a bigger company, but said it would have to find ways of returning excess capital to its shareholders. "If their shareholders are entitled to more value we have to find a way to give them the value."

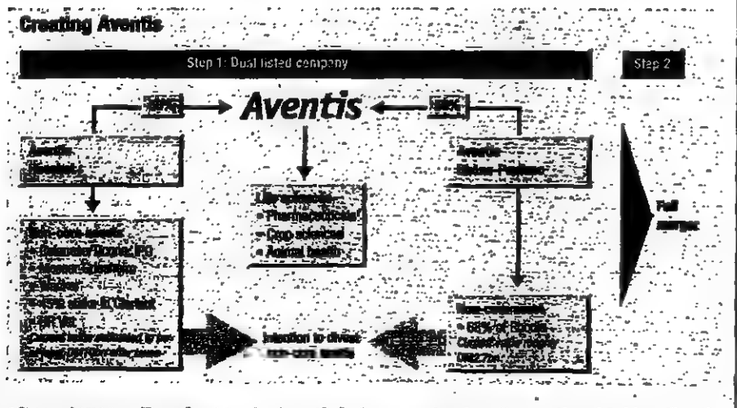
Hoechst's planned initial public offering of Celanese and Ticona is an example of its creative thinking. For the first time in Germany, a company is listing a subsidiary with the aim of distributing immediately the shares of the spun-off company to parent company's shareholders.

In the UK and in the US, companies such as AT&T, ITT and ICI have spun off subsidiaries in a similar way.

In the case of Celanese, Hoechst shareholders will receive one Celanese share for every 10 Hoechst shares they own.

Until now, German tax law had made the scheme prohibitively expensive, Mr Schmieder said.

Under German tax law, a newly listed company would have to pay tax on its hidden assets in Germany. But Hoechst was lucky. Eighty per cent of Celanese's assets are abroad, "offering us a window of opportunity", Mr Schmieder said. In the end, Hoechst will be taxed about DM100m for the deal.




# Framatome in change of strategy

By David Owen in Paris

Framatome, the French nuclear construction and connectors company, has unveiled a re-organisation that may facilitate the exit of Alcatel, a leading shareholder, from the nuclear sector.

The French telecommunications equipment group is understood to have had talks with the French government about swapping part or all of its 44 per cent interest in Framatome for something closer to its core activity.

One option would be to exchange the stake for more shares in Thomson-CSF, the defence electronics company in which Alcatel has a 16 per cent interest.

Another might be to concentrate its Framatome holding in the connectors side of the business, which has grown in importance with last year's acquisition of US-based Berg Electronics and could be closer to Alcatel's cables activity.

The Berg acquisition has shifted the centre of gravity at a company created 40 years ago as Franco-Américaine de Constructions Atomiques to develop French expertise in nuclear reactors, lifting its workforce by more than 40 per cent and making the connector business the leading Framatome employer. Activities have been split into two divisions: energy and connectors.

Following the takeover, Framatome claims to be the world number two in connectors, behind AMP of the US.

## NEWS DIGEST

**BEVERAGES**

### Pernod Ricard sale plan revives speculation

Pernod Ricard, the French drinks group, is set to sell Yoo-Hoo, its US chocolate drink subsidiary, in a move that yesterday revived speculation that the planned sale of its drinks unit Orangina to Coca-Cola of the US was imminent. Pernod Ricard said it had appointed J.P. Morgan, the US investment bank, to examine the future of Yoo-Hoo and to "study the future of Yoo-Hoo, after the eventual sale of Orangina".

Its 1988 acquisition of Yoo-Hoo was motivated by the potential for synergies with the Orangina brand. Last year, Dominique Strauss-Kahn, French finance minister, blocked the FFr5bn (€762m, $860m) sale of Orangina on the grounds that the transaction threatened to distort competition in the French soft drinks market. The transaction was strongly opposed by PepsiCo, Coca-Cola's US rival, which has an agreement to sell its products in France through Orangina's distribution network. People familiar with the negotiations yesterday said Coca-Cola had maintained contacts with the finance ministry after the veto. A final agreement allowing the sale to go ahead is thought to be held up by the failure to agree on a definition of "soft drinks consumed outside the home".
Samer Iskandar, Paris

**TRAVEL SERVICES**

### Accor to buy Frantour stake

Accor, the French hotel and travel services group, yesterday said it had reached an agreement to buy 65 per cent of Frantour, the hotel and tourism company controlled by SNCF, the public railway operator. Accor also offered to buy the remaining stakes held by minority shareholders. The acquisition, for an undisclosed amount, will add 30 hotels and 86 travel agencies to Accor. Last week Frantour sold its restaurant operations to Autogrill, of Italy, for FFr320m (€49m, $55m). Samer Iskandar, Paris

**PLATINUM**

### Implats settles disputes

Impala Platinum of South Africa (Implats), the world's second biggest platinum producer, has settled a 10-year-old legal battle with the Bafokeng tribe over mineral rights, ending the uncertainty that has plagued the company's management and depressed its share price. Implats and the Royal Bafokeng Nation said all disputes had now been settled.

With effect from July last year, Implats will increase its royalty payments to the Bafokeng to 22 per cent of taxable income in the Bafokeng areas west of Johannesburg, from the previous percentage of between 14.9 and 16 per cent. To protect the tribe from any losses or low earnings by Implats, the Bafokeng will receive a minimum annual royalty of 1 per cent of the gross selling price of the metals mined from their land. They will also receive a one-off grant of 1m shares in Implats, now worth about R100m ($16.6m), and be entitled to nominate a member of the board. The affected areas are in South Africa's North West Province. Implats' share price yesterday fell R1.30, or 1 per cent, to R96.90. Victor Mallet, Johannesburg

**CABLE TELEVISION**

### UPC raises share price range

United Pan-Europe Communications, Europe's biggest private cable television operator, yesterday raised the price range for shares in its initial public offering because of "substantial levels of interest" from investors. UPC, based in the Netherlands, raised the price range to €27-€29 a share, from €24-€27 previously. The move lifts the value of the IPO to a potential €1.16bn ($1.3bn) for the company's listing on the Amsterdam and Nasdaq stock exchanges. The IPO, being coordinated by Goldman Sachs and Morgan Stanley Dean Witter, is due to close later this week. Vincent Boland

International Bank for Reconstruction and Development

Yen 50,000,000,000
Floating rate notes due 9th February 2001

Notice is hereby given that the notes will bear interest at 0.77375% per annum from 9 February 1999 to 9 August 1999. Interest payable 9 August 1999 will amount to Yen38,902 per Yen10,000,000 note.

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9 February 1999

CITIBANK

## COMPANIES & FINANCE: ASIA-PACIFIC

**FINANCIAL INSTITUTIONS** COMMERCE ASSET-HOLDING TO BUY LOSS-MAKING BANK BUMIPUTRA

# Malaysian banks agree M$65bn merger

By Sheila McNulty in Kuala Lumpur

Malaysia's politically connected Commerce Asset-Holding agreed yesterday to buy the government-owned Bank Bumiputra to form the country's second biggest bank, with about M$65bn (US$17.1bn) in assets. The purchase had been widely expected following the third rescue attempt of Bank Bumiputra.

The creation of Bumiputra Commerce Bank comes just months after an attempt, in September, to save Bank Bumiputra through a capital injection of M$1.1bn from Khazanah Nasional, the government's investment company.

Last week, however, Bank Bumiputra reported net losses of M$467m for the six months to end-September, swinging from net income of M$196m for the year-earlier period. Its net non-performing loans were reported to be M$4.3bn, or 172 per cent of equity, as at end-September 1998.

"A further rise in non-performing loans or decline in collateral value, not an unlikely scenario as the recession has yet to run its full course, will mean that the bank will need further capital injections if it is to maintain its capital adequacy ratio above the mandated 8 per cent," said Fitch IBCA, the international rating agency.

The bank's capital adequacy ratio stood at 9.7 per cent after the capital injection, but Fitch said the losses for the six months weakened that ratio to 9.3 per cent at end-September.

The new bank is to have a combined capital adequacy ratio of 10 per cent. The agreement includes the government sale of its stake in Bank Bumiputra in exchange for what will eventually be a 30 per cent stake in the merged institution and the settlement of the estimated difference of M$562m paid to the government in cash or stock.

Danaharta, the government's asset-management company, will buy much of Bank Bumiputra's bad loans at face value.

Bank Bumiputra is one of the bigger victims of the financial crisis that pushed Malaysia into recession.

The banking system went into the regional crisis with domestic debt at 170 per cent of gross domestic product. The authorities have looked to it to revive the economy by encouraging financial institutions to lend still further.

Economists anticipate almost one in three loans will be non-performing by the time the crisis peaks later this year.

The merging banks do not expect formal approval until the end of the year and until then will continue with separate operations.

# Yokohama Rubber mulls foreign tyre link

By Alexandra Harney in Tokyo and John Griffiths in London

Yokohama Rubber, Japan's third largest tyre manufacturer, is considering a strategic link with a non-Japanese company, believed to be Groupe Michelin of France, after last week's global alliance between Goodyear and Sumitomo Rubber which created the world's largest tyre company.

Keimei Kiyoura, director in charge of tyre planning, said the realignment in the tyre industry and Yokohama's disappointing performance had forced it to revise its strategy as a domestic-focused manufacturer.

Yokohama's after-tax profits fell 50.6 per cent in the first half of 1998, to Y1.9bn ($16.8m). Its annual tyre sales, at about $3.6bn, compare with around $3.9bn for Sumitomo.

Mr Kiyoura's comments come amid speculation on the future of Japanese tyre-makers, as the industry moves towards domination by three global groups – Goodyear of the US, Michelin and Bridgestone, Japan's biggest tyre-maker.

With Sumitomo essentially taken over by Goodyear, despite last week's deal being depicted as a "strategic alliance", Yokohama is viewed as a natural target for Michelin.

While a spokesman for the secretive French group would not confirm negotiations with Yokohama, people close to the industry say informal discussions between the two have been going on for some time.

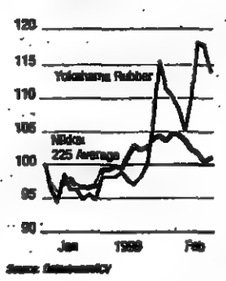
Mr Kiyoura said that although Yokohama had not yet received an official offer, the company was open to such bids. An alliance with a foreign manufacturer would be more likely, because there were few synergy gains to be made with another Japanese tyre-maker, he added.

"If there was such an offer, we would consider it ... We recognise we must compete on a global scale. But that would mean investing in South America, the US, possibly even Africa. In the end, we would lose to the big three."

In the short term, Yokohama would seek to improve cost-competitiveness by strengthening the company's financial base, returning its US operations to profitability and rebuilding Yokohama as a niche manufacturer.

Yokohama, which depends on the Japanese market for more than 70 per cent of sales, has been battered by falling domestic demand and the appreciation of the yen. Financial performance for the full year is expected to be well below company targets of Y4bn in after-tax earnings on Y250bn in turnover, largely because of the unexpected surge in the yen's value against the dollar since last October.

Yokohama Rubber
Share price and index rebased




Source: Datastream/ICV

Losses at Yokohama Tyre Corporation, its US subsidiary, totalled more than $9m last year.

# Email to acquire Southcorp arm

By Gwen Robinson in Sydney

Email, Australia's largest manufacturer of household appliances, launched further rationalisation in the local white goods industry with an agreement to buy the appliance division of Southcorp, the wine, packaging and white goods group for about A$107m (US$69.8m).

Email also announced a joint venture with Assa Abloy, the Swedish lock-maker, which would combine the companies' Australasian and Asian security products businesses.

Email would also sell its US-based Emtek business to Assa Abloy's US subsidiary, the company said. Both announcements were made after trading closed on the Australian stock market.

Abloy would pay about A$90m, or book value, for 50 per cent of Email's Australasian businesses and 100 per cent of the US business, Email said. The deal would have a positive impact on earnings per share in the first year.

«The deals represent the latest in a restructuring launched last year. Email's negotiations to sell its bathroom products operation will leave the company with its metals distribution business and white goods operation.

Analysts said Email had a profitable Asian security products business with subsidiaries in Singapore, Thailand, Malaysia and Indonesia, while Assa Abloy had sales operations in Australia, Singapore and Hong Kong. The combined businesses would have a dominant position in the Australasian and south-east Asian markets, with total sales approaching A$200m. The acquisition of Southcorp's white goods assets would leave Email with nearly two-thirds share of Australia's white goods market.

The Southcorp deal suggested it was positioning to compete in offshore markets, analysts said.

Southcorp's main appliance division achieved $62m in pre-tax profits on sales of A$1.1bn in the year to June, about one-third from white goods. Overall net profit grew 16 per cent and the group predicted double-digit profit growth for the current year. Graeme Kraehe, Southcorp's managing director, said Southcorp would use the proceeds of the sale to reduce debt.

## NEWS DIGEST

**BREWING**

### Foster's beats forecasts on strong overseas sales

Surging overseas beer sales helped to propel Foster's, Australia's largest brewer, to second in beer brands in the UK, the group said yesterday as it released half year results. UK sales volumes rose 12.1 per cent, said Foster's Brewing Group, adding its moves to cut costs and restructure operations helped increase net profit by 14 per cent to A$191.1m (US$124.7m) in the first half to December. In the US, the group's beer sales rose 12.3 per cent.

The group's interim result exceeded analysts' expectations of about A$180m and drove its share price up 4 cents to A$4.99, close to last week's record of A$5.

Investors welcomed Monday's confirmation by Ted Kunkel, chief executive, that the group was rationalising its loss-making Chinese operations. Mr Kunkel said the sale of the Tianjin and Guangdong breweries would be "tidied up" by June 30 and its China business would focus on the Shanghai brewery, which had cut losses sharply and was expected to reach a "cash-flow break-even" position by 2001-2002.

Mr Kunkel said Foster's overall concern was on driving profits and margins. No acquisitions were planned for the second half and the group would concentrate on integrating and developing the businesses it recently bought for about A$500m – the Austotel pub group, a German wine club and Maglieri Wines. Gwen Robinson, Sydney

**POWER**

### Chinese company delays float

Shandong International Power Development postponed its listing on the Hong Kong stock exchange, citing "volatile" market conditions".

The postponement for a deal that was to be priced on Monday is another setback to plans by Chinese companies to list on the Hong Kong market this year, coming a couple of weeks after another international issue by a Chinese agricultural firm was postponed. Analysts said the SIPD deal was over-priced and poorly timed, given the concern about the mainland economy that has weighed heavily on the Hong Kong market. "If you don't get a good wind behind you in Hong Kong, these deals don't get done," said one market participant.

SIPD said that speculation that the company was considering lowering the indicative issue price range was unfounded. The issue price range valued the company at a premium to other Chinese power companies listed locally. Rahul Jacob, Hong Kong

**JAPAN**

### Daiwa Bank in double link

Daiwa Bank, one of Japan's largest banks, yesterday announced plans for an alliance with the Bank of Osaka and Bank of Kinki, two other regional banks in the Osaka area. It could lead to the three banks creating a joint holding company and possibly merging, company officials said. Analysts said this was likely to lead to broader consolidation of the banking sector in Osaka.

However, the three banks yesterday admitted that the initial stages of the alliance would probably be limited to specific, product-based, areas of co-operation, such as shared cash dispensers.

The alliance appeared to have been triggered by Daiwa's need to stave off government pressure to reform by the end of the 1998 fiscal year. The Japanese banks are facing growing demands to demonstrate signs of restructuring as the "price" for a planned injection of up to Y25,000bn ($221bn) of public funds into the banks' before the end of March.

Daiwa's shares yesterday closed down Y3 at Y183, while Bank of Kinki and Bank of Osaka closed unchanged at Y284 and Y200 respectively. Gillian Tett, Tokyo

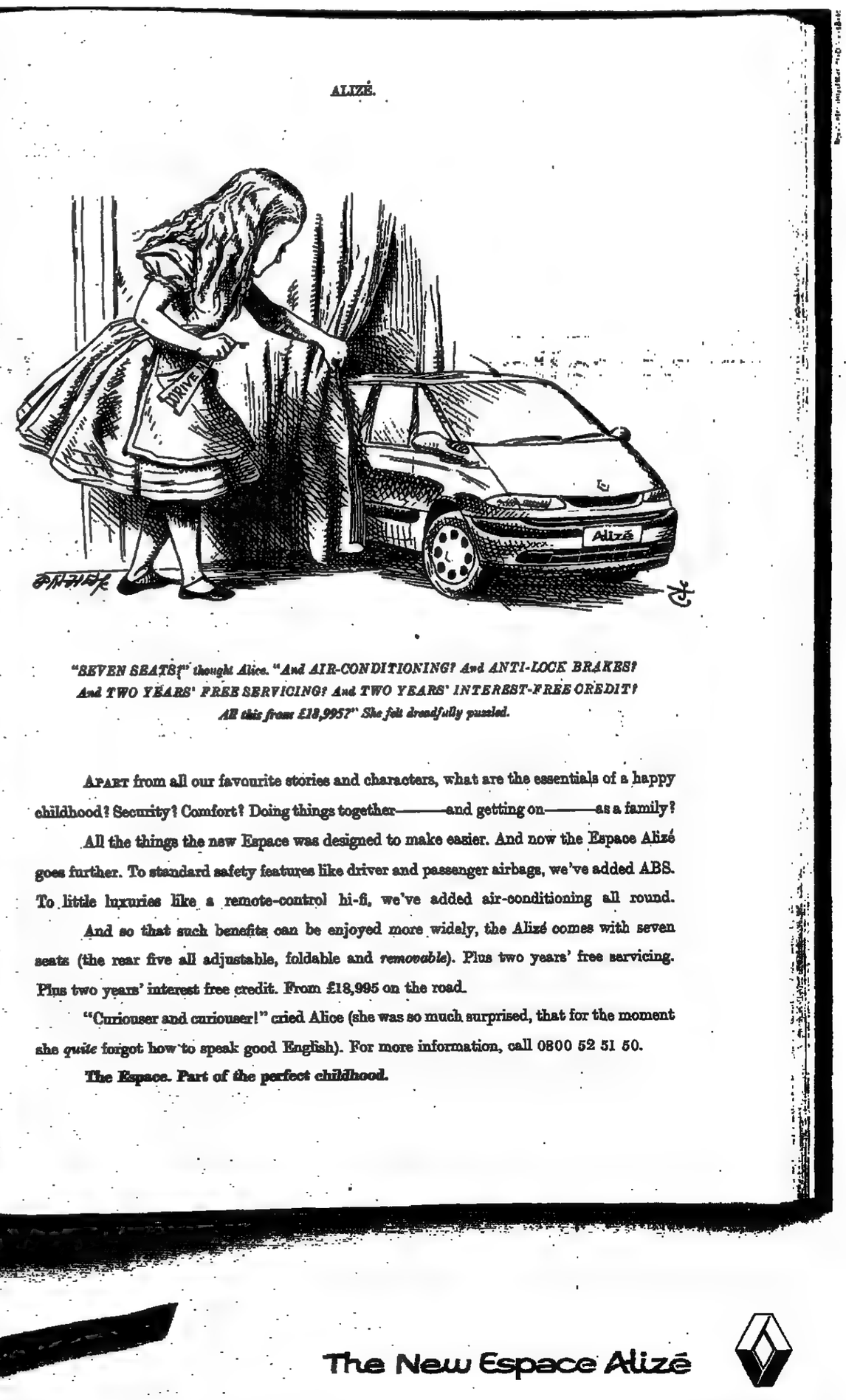
**CHEMICALS**

### Mitsubishi to close plant

Mitsubishi Chemical, Japan's largest comprehensive chemical company, plans to close its ethylene plant in Yokkaichi by the end of next year, the company announced yesterday. It will be the first time that a Japanese petrochemical company has shut down an ethylene facility. The closure comes amid signs that Japan's petrochemical industry is suffering from severe over-capacity and high production costs.

The capacity reduction achieved by shutting down Mitsubishi Chemical's third largest ethylene plant will amount to only 3.3 per cent of average total capacity. The shares rose 3.2 per cent to Y258.

Philip Hall, analyst at Schroders, said: "The closure of the factory will only take place in one and a half years and the reduction in capacity is small with 270,000 tons. Until now, Mitsubishi Chemical's restructuring measures have not translated into higher profits." Julie Hass, Tokyo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RENAULT

## COMPANIES & FINANCE: UK

**LEISURE** COMBINED GROUP WILL BECOME UK'S SECOND LARGEST HOTELIER AND CASINO OPERATOR

# Ladbroke makes £1.46bn bid for Stakis

By Elizabeth Robinson

Ladbroke, the hotels and gaming group, has offered to buy Stakis in a cash and share deal that values the hotels and casino company at £1.46bn ($2.39bn), including £215m debt.

The combined group would be the UK's second largest hotelier after Granada, the second largest casino operator after Rank and the largest health club company.

David Michels, Stakis chief executive, who rescued the Scotland-based company from near bankruptcy, will rejoin his old employer Ladbroke to head its Hilton International hotels division. He replaces David Jarvis who is leaving the company.

Peter George, Ladbroke chief executive, said: "This fits like a glove. I never thought we would get into the provincial casino market." He said he would use the absorption of Stakis's 22 regional casinos as an opportunity to restructure Ladbroke's own gaming operations.

Mike Smith, who currently heads that division, has been appointed chief executive of Rank, the leisure company. Ian Payne, who manages Stakis's casino division, may be appointed to head the combined gaming unit.

Ladbroke is offering Stakis shareholders 57.7p of cash plus 0.382355 new Ladbroke shares for every Stakis share held, as well as the Stakis final dividend of 1.75p a share.

Although Ladbroke proposes to pay for the deal in a fixed combination of 60 per cent equity and 40 per cent cash, Stakis shareholders can "mix and match", electing to take any combination of cash and shares.

If the deal is successful, Ladbroke will rebrand Stakis' 54 hotels as Hilton, doubling the number of Hilton rooms in the UK to 16,000.

Ladbroke's five London casinos and 1,900 betting shops currently make it evenly balanced between hotels and gaming in terms of profits. After the deal, the group expects to derive around two-thirds of its profits from hotels.

Ladbroke yesterday issued unaudited estimated results for 1998. Profits before tax and exceptional items rose 22 per cent to £276.9m with earnings per share rising 21 per cent to 17.9p.

Analysts praised the deal as offering a good fit. The companies complement each other geographically with no overlap; they both offer four-star hotels; and Stakis's Living Well health clubs already operate in 22 Hilton properties.

Mr George saw the Living Well clubs as a way to expand Hilton International overseas. "This gives us an extra dimension in terms of competition for hotel properties by offering health and leisure facilities."

Ladbroke approached Stakis in November after a strategic review in the summer of its hotel business. Mr George also said that talks last year on links with Hilton Hotels Corporation, the company that controls the Hilton name in the US, had come to nothing.

# There is even less room at the inn for small operators

Consolidation could be on the menu this year as leading groups seek to promote their brands, writes **Elizabeth Robinson**

Ladbroke has beefed up its Hilton brand at a stroke by buying Stakis's 54 hotels. It has doubled the number of rooms under the Hilton brand to 16,000 and should save £16m ($26m) in costs by combining its administration and marketing arms with those of Stakis.

But according to some observers, the £1.16bn takeover – plus the assumption of £215m debt – may be the forerunner of even bigger deals.

"Consolidation has been expected in the industry for some time," said Ian Burke, chief executive of Thistle Hotels – until yesterday the UK's second largest hotels group. "We will see more of it in 1999."

Driving the consolidation is the fact that in an industry with a total of 550,000 rooms, no brand – at least until yesterday's deal – had more than 12,000 rooms. Although Granada is the UK's biggest hotelier with some 18,000 rooms, they are spread across several brands and price scales, from the budget Travelodges to the upmarket Le Méridien business.

By any standards this is a fragmented business. Mr Burke said: "I don't think 16,000 rooms for Hilton is the end of the story."

As for Thistle's own ambitions – the company has 10,700 four-star rooms – Mr Burke would only say: "At the moment we are focused on improving our existing business. If other options come along, we'll have to look at them."

A consolidation would yield big savings. Bigger hotel groups would also enjoy the benefits of larger reservations systems, loyalty programmes and wider brand recognition.

**'There is still a desire for Hilton and Hilton Hotels Corporation to hook up again'**

Ladbroke yesterday said that the deal had given it a combined database of 3m members of loyalty programmes.

UK hotels are still enjoying growth, albeit slower, in both occupancy and rates.

A survey of provincial UK hotels by BDO Hospitality, the hotel consulting group, found that in the 11 months to November 1998 occupancy rose 0.7 per cent, with average room rates increasing 7 per cent, giving yield growth of 8 per cent.

David Bailey, BDO associate director, said: "We noticed a slowdown in yield growth, particularly in London hotels, but the general market is still doing well."

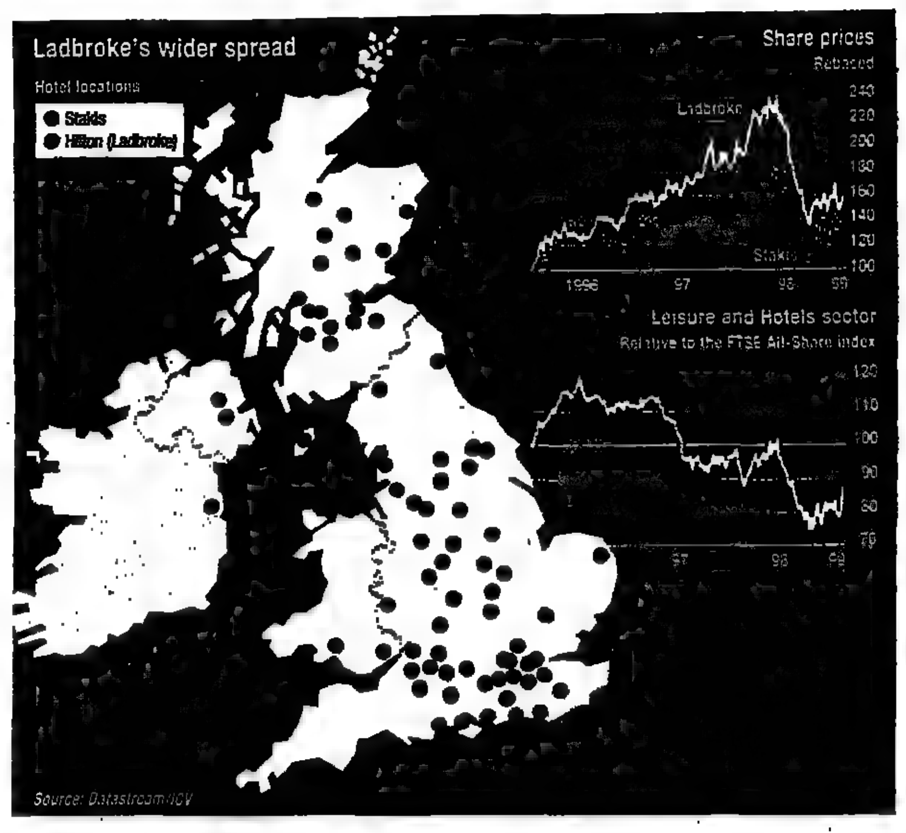
Hoteliers expect this growth to continue. A recent BDO confidence survey found that 80 per cent expect to maintain or improve their business this year. "They're not as confident as last January, but these figures do not reflect a group of people who expect a nosedive," said Mr Bailey.

For Ladbroke the key to yesterday's deal is room rates. Occupancy at Stakis in particular is already high – about 78 per cent – so growth will come from increases in room rates. "This isn't just slotting two hotel groups together," said David Michels, the Stakis chief executive who will now head Ladbroke's hotel operations. "This is about room rates. What is more important than growth in occupancy is growth in room rate. We believe people will pay a premium for this brand name."

The Hilton name is one of the best recognised in the world, and Ladbroke operates it outside the US. The expansion of the brand within the UK through the purchase of Stakis is just one sign of Ladbroke's ambitions. Peter George, Ladbroke chief executive, yesterday said: "We will continue to build our business internationally."

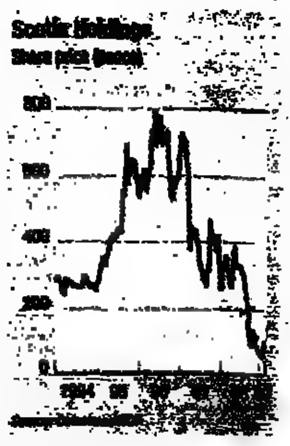
However, the company cannot do this without a sideways glance at Hilton Hotels Corporation, the Californian group that controls the brand in the US. The two groups have been in a long on-and-off courtship. Yesterday Mr George said: "There is still a desire for Hilton and HHC to get hooked together again. We both have that end objective."

Yesterday's deal, Mr George admits, was in part prompted by a breakdown in talks between the US group and Ladbroke. The two groups already enjoy joint marketing but clearly Mr George is seeking something bigger. The Stakis deal, he said, now makes the US alliance more solid. Observers speculate that a far closer relationship could be in the offing.




## COMMENT

### Scotia Holdings




It is a measure of the neglect afflicting biotechnology companies that, yesterday morning, Scotia's market value was similar to its £50m-plus cash pile. One piece of good news and its shares jump 42 per cent. As usual, there is a strong element of jam tomorrow. Olibra, the appetite suppressant, could end up in foods in markets worth up to $75bn. Scotia will get 2-3 per cent in royalties on, say, 1 per cent of that market, the annual return will match Scotia's investment to date of less than £15m. But the products do not start to roll for two years. Foscan, used in laser treatment of cancer tumours, may be on the market sooner.

Scotia lost its partner for this drug last November, completing a rout of its shares. They are still only a quarter of last year's high. Investors should lay off the appetite suppressants.

### Internet access

Free internet access is like a free lunch. It does not exist. But cheap internet access does. Its most successful UK providers, such as Dixons, have ditched the US model of subscription charges. Instead, they make money by receiving a slice of the local phone charges levied when customers dial into the internet. This would not be possible in the US, where local calls are generally free.

The snag is that this practice, not just by Dixons but also Tesco and now Arsenal football club, has got up the noses of local telecommunications operators. They think the slice of the pie they receive – which is determined by the telecoms regulator and supposed to cover their costs – is too small. Unless they can show they are receiving less than their costs, the regulator should give this argument short shrift. After all, there is nothing to stop these same operators starting to emulate Dixons, as British Telecommunications seems belatedly to have realised.

Another gripe also looks dubious: that Dixons' business model is unsustainable. Not only is it far from obvious that the revenue from phone calls will be insufficient to cover the additional costs but Dixons expects in time to develop a new revenue stream from advertising.

But even if the business model does not stack up, too bad. Dixons will just have to cut its losses. There is no need for the regulator to act as nanny.

## NEWS DIGEST

**ENGINEERING**

### Marine and turbine side gives lift to Vickers

Vickers, the UK engineering group in the throes of restructuring, yesterday said that trading profits last year dipped slightly after a decline at its defence systems division. But it added that a continuing improvement in results from marine and turbine components had helped it achieve a good second-half performance overall.

Vickers revealed the figures in a document dealing with its recommended cash offer for Ulstein Holding, the Norwegian maritime equipment company. The UK company will pay £304m ($499m) and take on £54.8m of debt for the acquisition, which is seen as an indication that it plans to focus on marine propulsion.

Vickers said it made a profit, before tax and exceptional items, of £55.6m for 1998. Pre-tax profits would be hit by a restructuring charge of £60.6m.

The business being acquired will be called Vickers-Ulstein Marine, and will be headed by Baard Mikkelsen, the Ulstein chief executive.

**Michael Peel in London and Valeria Sköld in Oslo**

**RETAILERS**

### Upbeat statement from Safeway

Safeway, the UK's fourth largest supermarket chain which issued a profits warning 12 months ago, yesterday claimed its business "has never been in better shape" as it reported a strong rise in current trading. Colin Smith, chief executive, said sales excluding new space and petrol rose 3 per cent for the first 17 weeks of the second half. Over the Christmas period, the six weeks to January 2, Safeway turned in a like-for-like rise of 2.9 per cent.

The increase stands in sharp contrast to the current trading statement on Friday from larger rival, J Sainsbury, which showed underlying sales growth of 1.2 per cent, or an actual decline excluding inflation. However, its shares fell 2p to 276½p, as analysts trimmed annual profit forecasts by about £5m to £345m. **Peggy Hollinger**

**INSURANCE**

### Ace backs nuclear pool

Ace Global Markets, the UK subsidiary of the Bermuda-based insurance and reinsurance group, is to support the British Nuclear Pool, which provides about a quarter of worldwide insurance capacity for the nuclear industry. The British pool was established by insurers in 1956 at the prompting of the UK government to make the nuclear industry a more attractive insurance option. The high-severity, low-frequency nature of the risk had resulted in a shortage of capacity in the early years of the industry.

There are now 20 nuclear pools in the world. Known formally as the British Insurance (Atomic Energy) Committee, the British pool is the largest outside the US, with the ability to cover liabilities of £500m. **Andrew Bolger**

**DISTRIBUTORS**

### Inchcape shipping side sold

Inchcape yesterday moved a step closer to its goal of focusing on international motor distribution with the £47.5m sale of its shipping services division. The group, which last March announced its plan to transform itself from a diversified trading company, has now sold four businesses. Inchcape Shipping Services has been bought by Electra Fleming, the venture capital group.

# Scotia deal with General Mills

By David Pilling

General Mills, the US food group, yesterday became the latest company to attempt to lure health-conscious consumers with "functional foods" when it signed an agreement to license an appetite suppressant from Scotia Holdings, a UK biotechnology company.

Olibra, a natural product that Scotia claims fools the gut into believing it is full, is part of a new wave of nutraceuticals – premium-priced food said to contain medicinal or other beneficial properties. Olibra will join spreads made by Johnson & Johnson and Unilever that help to reduce cholesterol.

Scotia shares, which rose sharply last week, rose a further 29p yesterday, closing at 98½p.

General Mills, with brands including Betty Crocker desserts and dinner mixes, Yoplait yoghurt, and Big G cereals, has exclusive rights to use Olibra in all food and beverages in the US, Canada and Mexico. The company, which has annual sales of $6bn, is believed to be investigating the possibility of including Olibra in seven categories of food, including soups, salad creams, cereals, desserts and yoghurts.

The terms of the deal were not disclosed, but General Mills will provide development, manufacturing and marketing costs, as well as making milestone payments and royalties. Olibra is sold in yoghurts in the UK, Sweden, Denmark and Finland under the brand name Maväl Produced by Skanemejerier, A Swedish dairy company, the yoghurt has gained about a 2 per market cent share.

Robert Dow, chief executive of Scotia, said: "General Mills has signed up; that's a validation of the technology." He admitted there had been scepticism about whether Olibra worked.

# Rebus succumbs to US takeover

By Christopher Price

Disenchantment with the UK stock market has led Rebus, the information technology group, to agree a £171.9m ($282m) takeover by Warburg Pincus and General Atlantic Partners, the US investment groups.

Rebus, which was demerged from CE Heath, the insurance group, in 1996, has long complained about the low rating put on its shares by investors in the otherwise buoyant market for IT companies.

The 182p a share offer is at a 32 per cent premium to Rebus's share price last Thursday, the day before news of the negotiations broke.

It represents a multiple of 32 times historic earnings and about 25 times prospective earnings.

Rebus shares opened at 88p when trading began on April 16 1996. They rose 18p to 177½p yesterday.

Ed McKinley, managing director of Warburg Pincus's European operations, said it would probably be "several years" before Rebus became a public company again.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Delphi | Yr to Dec 31 | 344.8 | (276.9) | 11.7♠ | (12.9♠) | 28.52 | (28.79) | nil | - | 4.8 | 2.65 | 7.2 |
| IAF | 6 mths to Dec 31 | 10.8 | (3.84) | 1.18 | (1.14) | 5.48 | (5.21) | 2.5 | Apr 6 | 2.5 | - | 7.45 |
| PizzaExpress | 6 mths to Dec 31 | 61 | (47.6) | 13.2 | (9.38) | 15.2 | (10.7) | 1.3 | Apr 6 | 1.05 | - | 4.25 |
| Roxspur | 6 mths to Dec 31 | 26.6 | (11.3) | 1.52 | (1.06) | 2.3† | (2.8) | - | - | - | - | 0.1 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Olim Convertible | Yr to Dec 31 | 22.3 | (55.1) | 1.17 | (1.22) | 7.81 | (8.14) | 5.1✱ | Feb 26 | 4.5 | 9.6 | 9 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. ✱Includes foreign income dividend element.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TUESDAY FEBRUARY 9 1999

COMMENT

Scotia Holdings

NEWS DIGEST

Marine and turbine side gives lift to Vickers

statement from Safeway

backs nuclear pool

shipping side sold



## BUSINESSES FOR SALE



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SURVEYORS, VALUERS & AGENTS

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REGISTERED FOR 22
- 18 single rooms and 2 double rooms.
- 5 person passenger lift.
- Well presented and equipped facilities.

£395,000 FREEHOLD
*Winchester Office Ref 33/FT75005/MA*
**01962 844455**

**SURREY**

RESTAURANT, WEYBRIDGE
- Licensed restaurant (circa 90).
- Net T/O year end 31.10.97 £700,000). Car parking (23).
- Extensive owner/staff accommodation.

OFFERS INVITED LEASEHOLD
*London Office Ref 002/FT66875/WD1*
**0171 227 0700**

**NORTH YORKSHIRE**

CARE HOME GROUP
- Nursing home registered for 19.
- Residential home registered for 18.
- 3 bedroom house purpose built for disabled.
- Separate substantial 4 bedroom house.

RESIDENTIAL HOME AND HOUSES
£625,000 FREEHOLD
NURSING HOME
£275,000 FREEHOLD
*Leeds Office Ref 54/FT0818/8*
**0113 389 2700**

**HADDINGTON**

THE PLOUGH TAVERN
- First class inn. Excellent T/O and profits.
- Lounge and public bars. 5 letting bedrooms. Breakfast room.
- Private car park. Well appointed property throughout.
- Potential for development.

£500,000 FREEHOLD
*Edinburgh Office Ref 52/FT54316/FD1*
**0131 557 6666**

**MERSEYSIDE**

NURSING HOME
- Nursing home registered for 30.
- 5 beds also registered for Palliative Care
- 24 single and 3 twin bedrooms. 16 en suite
- Detached property.
- Planning permission to extend further.

£695,000 LEASEHOLD
*Manchester Office Ref 56/FT78666/MC1*
**0161 833 3311**

**KENT**

COMMERCIAL HOTEL
- Net T/O year end 30.6.98 £674,654.
- Operating profit £205,570.
- 43 en suite letting bedrooms.
- 2 bedroom owner's cottage.
- Extensive conference facilities.
- 5 staff bedrooms.

£1,500,000 FREEHOLD
*Maidstone Office Ref 88/FT45798/MB1*
**01622 656000**

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COUNTRY FREEHOUSE
- Country freehouse on main road location.
- Additional 3 bedroom detached house included.
- Circa 4 acres of car park and trade gardens.
- T/O year end 31.10.98 £300,766.
- Outbuildings with development potential.

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**0117 933 1500**

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REGISTERED FOR 20
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**Mackie International Limited**

**Springvale Foundry Limited**

**Automatic Temperature Controls Limited**

*In Administrative Receivership*

*The Joint Administrative Receivers, Roger Powdrill and Tom Keenan, offer for sale as a going concern the business and assets of Mackie International Limited, Springvale Foundry Limited and Automatic Temperature Controls Limited.*

*Principle features of the businesses include:*
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- Modern industrial complex of 370,000 sq.ft. including office accommodation
- 20 acre site
- Skilled workforce of 304
- A newly constructed, £15m, state of the art foundry, fully compliant with proposed environment legislation
- A modern, well equipped machine shop, heat treatment, fabrication, powder coating plant and assembly facilities
- Manufacturer of textile and other machinery
- Manufacturer of electronic control systems and switchgear
- International customer base

For further information please contact the Joint Administrative Receivers or Graham Martin at Deloitte & Touche, 19 Bedford Street, Belfast BT2 7EJ. Telephone: 01232 327771 Fax: 01232 333194

Deloitte & Touche

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### COVPAK LIMITED

**(In Administrative Receivership)**

The Joint Administrative Receivers, Neil Tombs and Mike Hore offer for sale the business and assets of Covpak Limited as a going concern.

- Manufacturer and distributor of litho-laminated and other packaging products
- Warehousing and offices totalling 45,000 square feet
- 4 acre site close to A45, M6 and Coventry Airport suitable for further development or as an investment opportunity
- Established customer base with turnover of £3.5 million per annum
- Plant, machinery and stock with a book value of £500,000

**For further information, please contact Neil Tombs or Michael O'Connor**

ROBSON RHODES — Chartered Accountants — RSM International

Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Tel: 0121 697 6000. Fax: 0121 697 6111/2.

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*The Joint Administrators, Tom Burton and John Ariel, offer for sale as a going concern the business of Portsmouth Football Club Limited.*

- Nationwide First Division Football Club.
- Previous League Champions and FA Cup Winners.
- Established for over 100 years.
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For further information please contact Tom Burton or John Ariel at:-
Kidsons Impey, Enterprise House,
83a Western Rd, Hove, East Sussex. BN3 1LJ.
Tel: 01273 720311. Fax: 01273 746634.

KIDSONS IMPEY Chartered Accountants

BUSINESS ADVICE THAT COUNTS

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### GRASS PRIDE ASSOCIATES LIMITED T/A ASHLEIGH HOUSE NURSING HOME

**(In Administrative Receivership)**

The Joint Administrative Receivers, Daniel Smith and Mike Hore offer for sale the business and assets of the above registered nursing home.

- Exceptional standards of personal dedicated care
- Registered for 35 nursing beds
- High occupancy levels
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- Somerset location

**For further information, please contact Daniel Smith or Mike Hore**

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186 City Road, London EC1V 2NU
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*Ref 34/FT9294/J205*

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For further details please contact the Joint Administrative Receivers: Peter Flesher and Andrew Menzies, Grant Thornton, St Johns Centre, 110 Albion Street, Leeds LS2 8LA.
Tel: 0113 245 5514 Fax: 0113 246 5055
Web Site: http://www.grant-thornton.co.uk
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|---|---|---|---|
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## LEGAL NOTICES

**Government of the Republic of Lithuania**

**State Property Fund**

***The extension of the term for the expression of interest to participate in the privatisation of "Lietuvos Draudimas" (Lithuanian Insurance company)***

The State Property Fund extended the term for submission of the expressions of interest to participate in the privatisation of 70% of the equity of "Lietuvos Draudimas" till 19th of February 1999, 9a.m. local time.

All the questions regarding the privatisation procedure and qualification criteria for the potential investors should be addressed to:

Rimantas Butkus, State Property Fund,
Vilnius 16, 2600 Vilnius Lithuania.
Tel: 370 2 221 263
Fax: 370 2 622 520

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No 618 of 1999

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF BÜHRMANN UK LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 4 February 1999 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of capital of the Company from £225,000,000 to £75,000,000 which is in excess of the wants of the Company.

NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Registrar of Companies at the Royal Courts of Justice, Strand, London, WC2A 2LL on 17 February 1999.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the foregoing should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED 9 February 1999

NICHOLSON GRAHAM & JONES
110 Cannon Street
London EC4N 6AR
Tel: 0171 648 9000
Fax: 0171 648 9001
Solicitors for the Petitioner
Ref. OEW/B64-77

**ENVIRONMENT** CAMPAIGNING

# Greens gun for finance

Environmentalists have become increasingly aware of the pivotal role of financiers in the world economy, writes **Vanessa Houlder**

The threat of "green" activism has become a fact of life for many companies. Industries such as road building, mining, oil and chemicals are painfully aware of the risks of being singled out by environmental campaigners.

Now environmentalists are turning to new targets. In particular, they are squaring up to banks and financial institutions which are judged to have taken insufficient account of environmental issues in their lending decisions.

The National Wildlife Federation, the US conservation group, has recently extended its long-running campaign to improve the environmental awareness of government-backed development banks to the private sector. "We feel banks have a critical role to play," says Julie Tanner, senior financial analyst at National Wildlife Federation.

NWF has been one of more than 40 environmental and human rights groups protesting against the massive Three Gorges Dam project in China, which has been attacked for displacing more than 1m people and causing immense ecological damage.

When two years ago, a handful of banks – Lehman Brothers, *Morgan Stanley, J.P. Morgan*, BankAmerica, Smith Barney and Credit Suisse First Boston – sponsored bonds for the State Development Bank of China, the project's backer, they found themselves at the centre of a storm of protest.

The environmental groups wrote letters of protest and lobbied shareholders against investing in the banks that helped to finance the project. Financiers became cautious about risking their reputation, raising the possibility that the project would be left with a hole in its funding.

This lobbying effort indicates a wider trend. "A new development in the 1990s is that environmental NGOs [non-governmental organisations] have started to target financial institutions, instead of governments and prominent public corporations," according to a report on financial institutions and sustainable development for the European Commission by Delphi, a consultancy.

In part, that is because financial institutions may present a more visible target than the company involved. It also reflects a growing awareness on the part of environmentalists of the pivotal *role of finance in the world's* economy. Government involvement in controversial projects has tended to fall, leaving a gap for increased private investment.

Banks, particularly European, are responding.In 1992 the United Nations Environment Programme brokered a statement by banks on the environment and sustainable development in which 115 banks made a commit*ment to incorporate the environ*ment in all aspects of business.

A recent survey found that 60 per cent of these institutions had introduced specific environmental products and services, while 75 per cent of them had introduced a policy on environmental risk and corporate credit.

But even the pioneers admit a lot of work remains. In the UK, Friends of the Earth is gathering material for a campaign directed at the City of London. "The plan is to try to have more of an influence on the financial sector generally," says Tony Juniper, of Friends of the Earth."

"We have a long way to go before the environment is integrated into our day-to-day processes," says Linda Descano, vice-president, environmental affairs Salomon Smith Barney.

She acknowledges that US banks have been slow to sign up to the UN statement. "We have a problem getting US financial institutions to endorse the principle." In a litigious environment, banks are reluctant to endorse goals that they have not yet fulfilled.

**'Recycling is nice but stringent guidelines are what really makes the difference'**

Another concern voiced by Ms Tanner is that the banks are not *disclosing their environmental* guidelines to the public. As a result it is hard to judge their effectiveness. She also thinks banks have tended to emphasise internal issues concerning their environmental performance, rather than scrutinise their lending policies. "Recycling and energy management are nice but stringent guidelines are what really makes the difference," she says.

But what can banks' guidelines be expected to achieve? The most *obvious point is that they should* aim to protect the bank against litigation. The credit assessment process should monitor whether the company to which money is being lent operates in a high-risk sector or owns contaminated land.

The risk of being held responsible for site clean-up costs if it forecloses on a defaulting company has preoccupied many banks. A *landmark case in 1990* held that a US bank was liable for the site clean-up costs on the grounds it had the ability and opportunity to influence its client, a paint company, in its environmental practices.

But bankers are reluctant to go further than is absolutely necessary in monitoring the companies they lend to. "There is a widely held, but wholly inappropriate, *view that the role of* financial institutions should be [that of] environment policemen," says Derek Wanless, group chief executive of the NatWest Group. "Trained and expert regulators have a difficult enough task."

Nonetheless, he says, there are several areas in which the environment affects banks: as investors, as designers of financial products, in pricing risk, in estimating returns, as polluters, as victims (in that climate change alters the nature of risk) and as stakeholders capable of exerting influence. "I do believe that we can and do have influence and attempt to exercise it," he says.

This is not an easy task. In a highly competitive corporate market, banks shy away from attempting to influence the policies of large companies. But with smaller companies, many banks attempt to provide environmental information and products. The snag is that many environmental financial products require an environmental audit, the costs of which can easily exceed the discount on the loan.

As a result, progress in creating environmental products has been slow. That has proved a source of frustration for many environmentalists, who are aware the banks will only use their influence for the benefit of the environment if they consider it to be in their broad interest.

But whatever the practical advances, there is little doubt that banks are increasingly prepared to voice their commitment to the environment. Sustainable development – preserving natural and man-made capital for future generations – has particular relevance for the banking sector. Banks are in the risk business: ultimately, ignoring environmental issues may pose additional risks to their investments. In the view of Mr Wanless: "Financial growth and a healthy environment will go hand-in-hand in the long run."

Trading places: candidates are put through their paces under the critical eyes of experts — Melanie Dreysse

**MANAGEMENT** RECRUITMENT

# Trading in virtual reality

**Richard Donkin** looks at a computer system that enables a bank to monitor how aspiring traders react to real-life pressures

The job applicant was every investment bank's nightmare personified – another Nick Leeson in the making. Hiding losses seemed to come naturally to the graduate seeking a trading job at HypoVereinsbank, the German mortgage lender. By lunchtime his position was looking hopeless so he hung back at his screen carefully obliterating every disastrous deal he had made.

Yet up to that point in the selection process he had seemed ideal. His grasp of the theory was excellent, his academic background and interview faultless. The bank had marked him down for a firm offer.

Not until he was at a screen, making deals in a full-blooded trading simulation, did his potential for deception emerge. No one was going to be criticised for making losses, but hiding them was inexcusable.

"He didn't realise the data is retained and the position came back on the screen after lunch. We would never have known that he was capable of such behaviour without seeing it for ourselves," says Susanne Ruoff, the bank's head of recruiting and development.

The "rogue trader" incident was recalled when the bank repeated the exercise for 59 MBA and PhD graduates flown to Boston this month from Europe and other parts of the US. HypoVereinsbank claims its trading and sales simulation for recruitment is leading the way.

The graduates were chasing some 30 vacancies. Starters with MBAs can expect to earn DM120,000 (€61,000) ($69,000) in their first year at the Munich headquarters.

A big advantage of simulation, says Ms Ruoff, is that it enables the bank to observe candidates' behaviour under pressure. The experience of a rogue trader bringing down a bank has focused attention on the ability of candidates to understand the principles of managing risk and balancing their position.

"It's not a question of where their profit and loss is at the end of the day, but how they behaved in achieving it," says Andrew Chisholm, the training consultant supervising the event at the Marriott Hotel.

Mr Chisholm and an associate, Paul Roth, a software specialist, assembled about 100 screens in the hotel's largest conference room. They built the exercise around Mr Roth's Risk Manager trading simulation software, normally marketed for dealer training among investment banks.

An important ingredient is the use of the bank's clients, many of whom have trading backgrounds, to place orders by telephone. The simulation is based on an actual day in the markets. In this case, April 3 1998 – the day on which the bank had launched an initial public offering of shares in Transtec, one of its clients.

The designers had included a basket of equities, government bonds, US Treasury bonds, international bonds and about six currencies including some, like Polish zlotys, that reflected the bank's interest in the emerging markets of central Europe. Financial engineering candidates seeking the so-called "rocket scientist" jobs would be asked to work out various derivatives.

"These are smart people," says Mr Chisholm, "but we want to test them in the actual conditions they would experience in the job. We don't want MBAs simply to act as order takers. They should be having conversations with their clients just as they would in reality. This job has a lot to do with attitude. All the candidates believe this is what they want to do but when it comes down to it they are dealing with certain fundamentals. In the real world they are solving problems for their clients. The professionals have to manage risk."

**His position was looking hopeless so he obliterated every disastrous deal he had made**

Each of the candidates had undergone a day of training before being exposed to the reality of the dealing room.

The brief to the bank's clients was to be tough but fair while candidates were advised to engage their clients, keep focused and talk sense. "The clients you will deal with in this business have no time for conversation that's not related to their specific circumstances. If you let it stray you will hear the phone go dead," says Mr Chisholm.

The candidate teams made a jerky start in their first half-hour of adrenalin-fuelled trading, often forgetting to call clients or book trades. Sales people muddied their dealings with traders as clients slammed down their phones or berated them for offering unrealistic prices.

Dieter Musielak, head of risk management, treasury, in the corporate finance division of Siemens, was playing the role of an aggressive hedge fund manager.

His briefing notes said: "Likes size – in the best times the fund may turn around close to its entire position within a day." That may explain his decision to make a $1bn trade minutes before the market closed. "I'm having so much fun," he says.

Not all the candidates shared his enthusiasm. Jeffrey Sink, studying for a maths PhD at Michigan University, decided the job was not for him: "I don't want to spend all of my life with someone yelling at me."

Anna Magdalena Haslinger, on the other hand, a candidate working in foreign exchange sales, says: "I thought it was tremendous. I could do this every day. It's not an easy job but you don't get bored."

At the end of the session traders and clients alike had made profits. "As the day wore on, the candidates began to get the hang of it," says Mr Chisholm. So did the professionals.

Chris Childs, a fund manager at Foreign & Colonial Management, says: "I took the opportunity to do an options trade which I'd never done before and I couldn't resist making a $1bn trade. It made my day. I've never traded $1bn and I expect I never will."

Futures International congratulates the following search consultants on their success:

Christopher G. Tors - New York
Elected Senior Managing Director, Principal

Werner Bedhun - London
Patricia H. Wieser - New York
Named Directors

Guy J. Thursfield - London
Steven D. Niss - New York
Joined as Directors

Everyone at Futures International wishes Chris, Werner, Pat, Guy and Steve all the continued success they deserve.
We are proud to have them on our team.

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THE OASIS FUND

*Société d'Investissement à Capital Variable*
*European Bank & Business Centre, 6, route de Trèves*
*L-2633 Senningerberg, Grand Duchy of Luxembourg*
*R.C. Luxembourg No. B 52941*

Notice of Annual General Meeting

NOTICE is hereby given to the Shareholders of THE OASIS FUND ("the Company") that the Annual General Meeting will be held at the registered office of the Company, European Bank & Business Centre, 6, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg on Wednesday 17 February 1999 at 3:00 p.m., or at any adjournment thereof, for the purpose of deliberation and voting upon the following agenda:

1. Submission of the *Report of the Board of Directors and of the Auditor.*
2. Approval of the Annual Report for the financial year ended 30 September 1998.
3. Discharge of the Directors in respect of their duties carried out for the financial year ended 30 September 1998.
4. Election of the Directors and Auditor for a term of one year;
5. Any Other Business.

A Shareholder entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf and such proxy need not be a Shareholder of the Company.

Resolutions on the agenda of the Meeting will require no quorum and will be resolved by the majority of the Shareholders attending in person or by proxy.

In order to be entitled to attend the Meeting, holders of bearer shares must deposit their bearer share certificates five working days prior to the Meeting with the following institution:

Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal, L-2955 Luxembourg

Shareholders who cannot personally attend the Meeting are requested to use the prescribed form of proxy (available at the registered office of the Company) and return it at least five working days prior to the date of the Annual General Meeting to the Company, c/o Fleming Fund Management (Luxembourg) S.A., L-2086 Luxembourg.

By order of the Board of Directors
January 1999

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# EURO PRICES

EQUITIES

# Euro-phoria fades fast as US speeds off

## EUROPEAN OVERVIEW

By Vincent Boland

European stock markets fell back yesterday as earnings worries and the continued decline of the euro against the US dollar dominated investor sentiment.

Most sectors ended about a half-percentage point lower, reflecting what analysts said was the fairly broad-based nature of the European economic slowdown.

Concern that European corporate earnings are in for a *rough ride have* been evident for weeks and now that post-euro enthusiasm has waned, investors are looking closely at core investment *considerations*.

The contrast between a sluggish euro-zone economy and the continued buoyancy of the US is also keeping buyers out of euro-denominated assets.

The FTSE Eurotop 300 index of leading European shares fell 7.22 to 1,197.21, while the FTSE Eurotop 100 index fell 16.09 to 2,741.35. The FTSE Ebloc 100 index of shares in euro-zone markets ended 7.78 lower at 1,005.49.

Going against the generally gloomy wider market, however, a couple of sharp rises stood out. BMW jumped €57.50 to €726.49 after an upgrading by Goldman Sachs and in reaction to Friday's boardroom bloodbath that saw a new chief executive appointed.

There is a growing view among industry analysts that the company is now a takeover target given the current bout of transatlantic consolidation in the car industry.

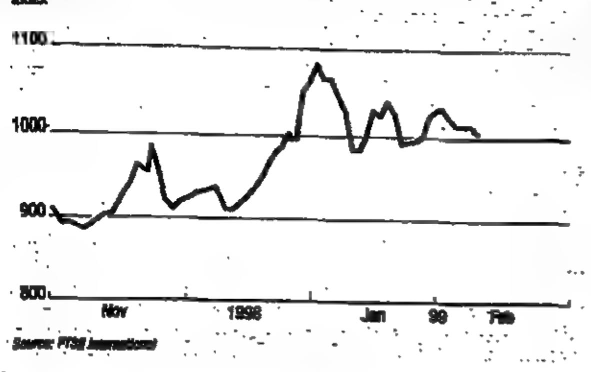
There were no confirmed suitors, however, and the rest of the auto sector was quieter. Volkswagen, a potential partner for its domestic rival, fell 80 cents to €66.35 and DaimlerChrysler was €1.80 lower at €86.26. French automakers were stronger; Renault gained *€1.40 to €44.50.*

Leisure stocks were a particular focus. Ladbroke, which gained 60 cents to €3.81, gave the hotel sector a boost. *Its bid for* Stakis pulled other stocks higher. Accor rose €15.90 to €205. Luxury goods makers also made good gains, with LVMH rising €5.10 to €230 and Christian Dior up €3 at €116.50.

Financials, industrials and engineers were among the weakest sectors. French bank CCF fell €4.20 to €80.65 as profit-taking set in after recent gains. But Thyssen was a notable outperformer, adding €15.40 to €181.45.

FTSE Ebloc 100

Index



Source: FTSE International

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.950 | 96.940 | -0.020 | 96.950 | 96.930 | 23270 | 112832 |
| Jun | 97.065 | 97.050 | -0.025 | 97.070 | 97.030 | 31291 | 103501 |
| Sep | 97.110 | 97.080 | -0.030 | 97.110 | 97.075 | 24321 | 59743 |
| Dec | 96.825 | 96.845 | -0.025 | 96.860 | 96.825 | 7698 | 64069 |

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.950 | 96.940 | -0.020 | 96.950 | 96.930 | 3313 | 160216 |
| Jun | 97.045 | 97.050 | -0.025 | 97.055 | 97.030 | 1333 | 133140 |
| Sep | 97.085 | 97.090 | -0.030 | 97.098 | 97.070 | 1007 | 123926 |
| Dec | 96.815 | 96.845 | -0.025 | 96.840 | 96.815 | 136 | 100263 |

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

| Strike Price | Calls Mar | Jun | Sep | Dec | Puts Mar | Jun | Sep | Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | 0.085 | | | | 0.020 | | | |
| 97000 | 0.035 | 0.135 | 0.200 | 0.150 | 0.095 | 0.086 | 0.110 | 0.205 |
| 97125 | 0.010 | | | | 0.195 | | | |
| 97250 | 0.005 | 0.045 | 0.080 | 0.060 | 0.315 | 0.245 | 0.250 | 0.455 |

Est. vol. total, Calls 200 Puts 1025. Previous day's open int., Calls 340489 Puts 177246

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 2750.0 | 2747.0 | -28.0 | 2780.0 | 2745.0 | 230 | 9416 |
| Jun | | 2761.0 | -28.0 | | | 0 | 0 |

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

| | 2600 C | P | 2650 C | P | 2700 C | P | 2750 C | P | 2800 C | P | 2850 C | P | 2900 C | P | 2950 C | P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 165 | 23 | 126 | 34 | 86 | 48 | 66 | 71 | 36 | 90 | 22 | 104 | 12 | 175 | 7 | 219 |
| Mar | 221 | 78 | 187 | 93 | 156 | 112 | 126 | 133 | 110 | 156 | 78 | 186 | 66 | 210 | 45 | 230 |

Est vol total. Prev day's open interest total 8,676. Premiums shown are based on settlement prices.

## OTHER INDICES

| | Feb 8 | Feb 5 | Feb 4 | 1998/99 High | Low | Since compilation High | Low |
|---|---|---|---|---|---|---|---|
| DJ Stoxx 50 | 3376.34 | 3409.09 | 3421.42 | 3670.62 | 2433.07 | 3670.62 | 2433.67 |
| DJ Euro Stx 50 | 3462.29 | 3489.95 | 3467.06 | 3695.36 | 2419.23 | 3695.36 | 2419.23 |
| MSCI Europe | | 1193.64 | 1203.85 | 1315.55 | 908.59 | 1315.55 | 910.76 |

Source: Datastream of FT Information. *Subject to revision next day. (b) unavailable.

## FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

| Feb 08 National & Regional Markets | Euro Index | Day's % | change points | Yield gross % | xd adj ytd | Total return (Euro) € |
|---|---|---|---|---|---|---|
| FTSE Eurotop 300 | 1197.21 | -0.60 | -7.22 | 2.27 | 0.55 | 1233.32 |
| FTSE Eurotop 100 | 2741.35 | -0.58 | -16.09 | 2.32 | 1.01 | 983.31 |
| FTSE Ebloc 100 | 1005.49 | -0.77 | -7.78 | 2.05 | 0.39 | 1021.83 |
| FTSE Euromid | 1193.92 | +0.12 | +1.38 | 2.31 | 1.22 | 1237.78 |
| FTSE EuroMid Ebloc | 1204.28 | +0.29 | +3.43 | 2.32 | 1.38 | 1221.16 |
| FTSE EuroMid Ex UK | 1242.77 | +0.13 | +1.61 | 2.16 | 0.95 | 1259.76 |
| **FTSE Eurotop 300 Regions** | | | | | | |
| Eurobloc | 1257.57 | -0.72 | -9.09 | 1.90 | 0.89 | 1286.19 |
| UK | 1187.62 | -0.15 | -1.64 | 2.75 | 0.59 | 1162.57 |
| Europe Ex-Eurobloc | 1147.53 | -0.47 | -5.43 | 2.86 | 0.42 | 1169.86 |
| Europe Ex-UK | 1248.59 | -0.82 | -10.34 | 2.03 | 0.54 | 1272.90 |
| **FTSE Eurotop Industry Sectors** | | | | | | |
| RESOURCES | 889.63 | +1.36 | +11.56 | 3.32 | 0.94 | 910.41 |
| Mining | 832.30 | +6.12 | +47.97 | 4.23 | 0.60 | 849.86 |
| Oil & Gas | 838.44 | +1.16 | +9.61 | 3.29 | 0.94 | 858.74 |
| BASIC INDUSTRIES | 1069.96 | +0.08 | -0.80 | 2.73 | 0.86 | 1093.63 |
| Chemicals | 821.65 | -0.61 | -5.00 | 2.75 | 0.65 | 838.63 |
| Construction & Bld Matls | 968.40 | +1.83 | +17.36 | 2.41 | 1.13 | 978.09 |
| Forestry & Paper | 922.40 | +1.80 | +16.27 | 3.42 | 0.80 | 964.58 |
| GENERAL INDUSTRIALS | 1126.34 | -0.50 | -5.66 | 2.38 | 0.55 | 1150.86 |
| Aerospace & Defence | 870.41 | +3.34 | +28.15 | 1.91 | 0.00 | 882.43 |
| Diversified Industrials | 989.38 | -0.71 | -6.81 | 2.07 | 0.00 | 991.55 |
| Electronic & Elect Equip | 1020.93 | +0.22 | +2.26 | 1.82 | 0.18 | 1026.09 |
| Engineering & Machinery | 1009.93 | -1.71 | -17.69 | 3.60 | 1.55 | 1024.58 |
| CYCLICAL CONS GOODS | 1317.17 | +0.64 | +8.37 | 2.59 | 0.00 | 1353.41 |
| Automobiles | 974.96 | +0.34 | +3.31 | 2.36 | 0.60 | 984.08 |
| Household Goods & Txtls | 1308.29 | +2.27 | +29.07 | 3.18 | 0.00 | 1319.44 |
| NON-CYC CONS GOODS | 1198.65 | -0.84 | -10.39 | 1.92 | 0.05 | 1231.67 |
| Beverages | 902.57 | -1.60 | -14.68 | 3.06 | 0.00 | 922.05 |
| Food Producers & Process | 882.80 | -1.61 | -14.48 | 1.76 | 0.00 | 893.27 |
| Health | 888.65 | +0.09 | +0.80 | 0.75 | 0.00 | 881.54 |
| Packaging | 777.70 | +3.02 | +22.75 | 1.16 | 0.00 | 778.67 |
| Personal Care & Hse Prods | 1119.56 | +1.06 | +18.60 | 0.86 | 0.00 | 1148.10 |
| Pharmaceuticals | 1098.78 | -0.66 | -10.88 | 1.18 | 0.08 | 1102.74 |
| Tobacco | 1440.05 | +1.24 | +17.65 | 2.77 | 1.42 | 1468.89 |
| CYCLICAL SERVICES | 1276.42 | +0.01 | +0.14 | 2.41 | 0.96 | 1316.84 |
| Distributors | 701.99 | +2.02 | +13.91 | 4.20 | 0.00 | 709.87 |
| General Retailers | 1041.08 | -0.92 | -8.66 | 3.06 | 1.06 | 1063.84 |
| Leisure Entmt & Hotels | 987.78 | +3.83 | +32.51 | 2.32 | 0.02 | 990.12 |
| Media & Photography | 1157.97 | +0.40 | +4.58 | 2.01 | 0.00 | 1170.23 |
| Rests, Pubs & Breweries | 848.21 | +0.82 | +6.89 | 3.31 | 2.64 | 873.73 |
| Support Services | 1092.75 | -1.35 | -14.76 | 1.36 | 0.00 | 1104.34 |
| Transport | 988.14 | +0.22 | +2.16 | 2.59 | 1.81 | 988.86 |
| NON-CYCLICAL SERVS | 1281.44 | -1.53 | -20.05 | 1.35 | 0.44 | 1329.69 |
| Food & Drug Retailers | 1057.81 | -0.73 | -7.81 | 2.00 | 0.01 | 1054.17 |
| Telecommunications Servs | 1286.51 | -1.71 | -22.06 | 1.47 | 0.38 | 1766.76 |
| UTILITIES | 1458.25 | -0.60 | -8.84 | 3.06 | 2.35 | 1550.14 |
| Electricity | 1117.95 | -0.82 | -9.29 | 3.16 | 3.42 | 1157.22 |
| Gas Distribution | 1177.75 | -0.94 | -11.15 | 1.62 | 1.00 | 1297.31 |
| Water | 948.05 | +1.73 | +16.15 | 5.34 | 0.00 | 982.87 |
| FINANCIALS | 1247.19 | -1.27 | -16.05 | 2.65 | 0.23 | 1281.46 |
| Banks | 850.02 | -1.33 | -11.47 | 3.48 | 0.28 | 882.36 |
| Insurance | 980.79 | -1.37 | -13.75 | 1.42 | 0.06 | 1002.74 |
| Life Assurance | 1149.11 | -1.32 | -15.37 | 1.72 | 0.00 | 1164.03 |
| Investment Companies | 1001.39 | -0.53 | -5.31 | 1.78 | 0.00 | 1025.82 |
| Real Estate | 577.72 | -0.10 | -0.66 | 3.00 | 0.00 | [illegible] |
| Speciality & Other Fin | 863.45 | +0.43 | +3.78 | 2.56 | 0.00 | 898.20 |
| INFORMATION TECH | 920.61 | +0.44 | +4.06 | 0.67 | 0.04 | 922.25 |
| Information Tech Hardware | 888.31 | +1.34 | +11.88 | 0.75 | 0.00 | 988.81 |
| Software & Computer Serv | 815.66 | -1.75 | -14.66 | 0.46 | 0.15 | 817.15 |

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## CURRENCIES & MONEY

### EURO SPOT FORWARD AGAINST THE EURO

| Feb 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | |
| Czech Rep. | (Koruna) | 37.9817 | +0.5816 | [illegible] - 384 | 38.0840 | 37.0600 | 37.5440 | 13.8 | 37.8578 | 1.3 | 39.2595 | -3.4 |
| Denmark | (DKr) | 7.4358 | +0.0011 | 320 - 392 | 7.4388 | 7.4320 | 7.4372 | -0.3 | 7.4380 | -0.4 | 7.4675 | -0.4 |
| Greece | (Dr) | 322.239 | +0.3420 | 103 - 375 | 322.650 | 320.751 | 323.5803 | -5.0 | 327.3836 | -6.4 | 341.9937 | -6.1 |
| Hungary | (Forint) | 248.693 | -0.1880 | 604 - 782 | 249.050 | 247.980 | 251.3159 | -12.7 | 256.5619 | -12.7 | 278.1996 | -11.9 |
| Norway | (NKr) | 8.6297 | -0.0025 | [illegible] | 8.6700 | 8.6180 | 8.6825 | -7.3 | 8.7418 | -5.2 | 8.9103 | -3.3 |
| Poland | (Zloty) | 4.2128 | +0.0268 | 075 - 180 | 4.2112 | 4.1579 | - | - | - | - | - | - |
| Romania | (Leu) | 13723.78 | -86.3600 | 009 - 747 | - | - | - | - | - | - | - | - |
| Russia | (Rouble) | 26.1315 | -0.1097 | 481 - 148 | 26.2146 | 25.9498 | - | - | - | - | - | - |
| Slovakia | (Koruna) | 42.5730 | +0.1007 | 305 - 255 | 43.0700 | 42.3345 | - | - | - | - | - | - |
| Sweden | (SKr) | 8.8645 | +0.0319 | 773 - 917 | 8.8917 | 8.8455 | 8.8540 | 1.1 | 8.8588 | 1.2 | 8.8751 | 0.1 |
| Switzerland | (SFr) | 1.5985 | -0.0007 | 377 - 893 | 1.6051 | 1.5977 | 1.5968 | 1.3 | 1.5920 | 1.6 | 1.5752 | 1.5 |
| UK | (£) | 0.6890 | +0.0001 | 887 - 892 | 0.6920 | 0.6874 | 0.6901 | -1.9 | 0.6926 | -2.2 | 0.7035 | -2.1 |
| **Americas** | | | | | | | | | | | | |
| Argentina | (Peso) | 1.1248 | -0.0034 | 246 - 250 | 1.1279 | 1.1217 | - | - | - | - | - | - |
| Brazil | (R$) | 2.1092 | +0.0324 | 032 - 152 | 2.1152 | 2.0643 | - | - | - | - | - | - |
| Canada | (C$) | 1.6729 | -0.0069 | 720 - 737 | [illegible] | 1.6684 | 1.6821 | -6.6 | 1.6876 | -3.5 | 1.7118 | -2.3 |
| Mexico | (New Peso) | 11.3508 | -0.0322 | 435 - 579 | 11.3693 | 11.3155 | 11.6521 | -31.8 | 12.1977 | -29.8 | 14.4436 | -27.3 |
| USA | ($) | 1.1249 | -0.0008 | 247 - 251 | 1.1261 | 1.1219 | 1.1302 | -5.7 | 1.1339 | -3.2 | 1.1523 | [illegible] |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | |
| Australia | (A$) | 1.7262 | -0.0038 | 259 - 373 | 1.7342 | 1.7165 | 1.7322 | -4.1 | 1.7372 | -2.5 | 1.7874 | -2.9 |
| Hong Kong | (HK$) | 8.7172 | -0.0268 | 152 - 190 | 8.7300 | 8.7038 | 8.7606 | -6.0 | 8.8057 | -4.1 | 9.1074 | -4.5 |
| India | (Rs) | 47.7576 | -0.1734 | 435 - 717 | 47.9070 | 47.6247 | 48.2102 | -11.4 | 48.9097 | -9.6 | 52.4533 | -9.8 |
| Indonesia | (Rupiah) | 10011.62 | +107.7000 | 380 - 865 | 10060.65 | 9800.00 | 10171.55 | -19.2 | 10839.86 | -33.1 | 13164.57 | -31.5 |
| Israel | (Shk) | 4.5935 | -0.0224 | [illegible] | 4.6249 | 4.5900 | - | - | - | - | - | - |
| Japan | (Y) | 127.912 | +0.4310 | 845 - 980 | 128.200 | 127.100 | 127.2005 | 6.6 | 126.8142 | 4.1 | 124.0016 | 3.0 |
| Malaysia | (M$) | 4.2746 | -0.0143 | [illegible] | 4.2866 | 4.2634 | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.0120 | -0.0340 | [illegible] - 141 | 2.0510 | 2.0030 | 2.0468 | -20.6 | 2.0505 | -7.7 | 2.0623 | -2.5 |
| Philippines | (Peso) | 44.3211 | +0.7551 | 465 - 977 | 44.6164 | 44.0348 | 43.9043 | 11.3 | 44.8492 | -3.0 | 48.0352 | -8.4 |
| Saudi Arabia | (SR) | 4.2180 | -0.0143 | 176 - 203 | 4.2309 | 4.2077 | 4.2448 | -7.3 | 4.2733 | -5.1 | 4.4022 | -4.3 |
| Singapore | (S$) | 1.9010 | -0.0036 | 001 - 019 | 1.9019 | 1.8977 | 1.9029 | -1.2 | 1.9035 | 0.1 | 1.9027 | -0.1 |
| South Africa | (R) | 6.7129 | -0.0599 | 060 - 197 | 6.7744 | 6.6781 | 6.8398 | -22.7 | 6.9801 | -15.9 | 7.5703 | -12.8 |
| South Korea | (Won) | 1322.60 | +1.9700 | 096 - 424 | 1325.40 | 1320.96 | - | - | - | - | - | - |
| Taiwan | (T$) | 36.2940 | -0.1210 | 503 - 295 | 36.3780 | 36.2040 | 36.6514 | -11.8 | 36.8680 | -6.3 | 37.8887 | -4.3 |
| Thailand | (Bt) | 41.5388 | +0.0195 | 014 - 759 | 41.5724 | 41.3752 | 41.8016 | -1.9 | 41.8514 | -3.0 | 43.4803 | -4.7 |
| UAE | (Dirham) | 4.1317 | -0.0137 | 306 - 326 | 4.3350 | 4.13090 | 4.1518 | -5.7 | 4.1657 | -3.3 | 4.2365 | -2.5 |

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.

## BONDS

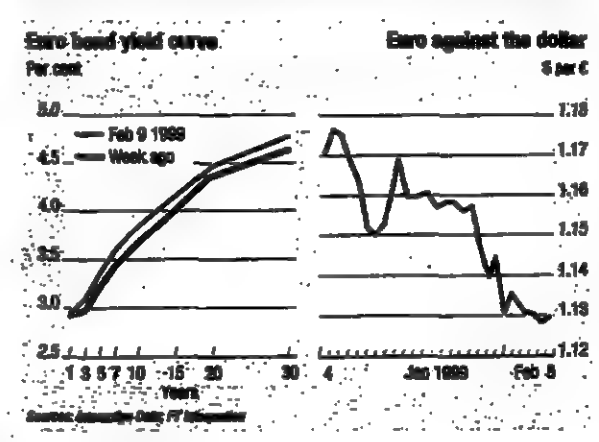
### INTEREST RATE SWAPS

| Feb 08 | Euro-E Bid | Ask | Euro-L Bid | Ask | £ Stlg Bid | Ask | US $ Bid | Ask | Yen Bid | Ask |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 year | 3.08 | 3.12 | 3.08 | 3.12 | 5.31 | 5.34 | 5.17 | 5.20 | 0.49 | 0.52 |
| 2 year | 3.13 | 3.17 | 3.13 | 3.17 | 5.13 | 5.16 | 5.27 | 5.30 | 0.69 | 0.72 |
| 3 year | 3.27 | 3.31 | 3.27 | 3.31 | 5.09 | 5.13 | 5.35 | 5.38 | 1.00 | 1.03 |
| 4 year | 3.42 | 3.46 | 3.42 | 3.46 | 5.08 | 5.12 | 5.40 | 5.43 | 1.29 | 1.32 |
| 5 year | 3.57 | 3.61 | 3.57 | 3.61 | 5.07 | 5.11 | 5.45 | 5.48 | 1.56 | 1.59 |
| 6 year | 3.72 | 3.76 | 3.72 | 3.76 | 5.07 | 5.11 | 5.49 | 5.52 | 1.80 | 1.83 |
| 7 year | 3.85 | 3.89 | 3.85 | 3.89 | 5.07 | 5.11 | 5.53 | 5.56 | 2.00 | 2.03 |
| 8 year | 3.97 | 4.01 | 3.97 | 4.01 | 5.08 | 5.12 | 5.57 | 5.60 | 2.16 | 2.19 |
| 9 year | 4.08 | 4.12 | 4.08 | 4.12 | 5.09 | 5.13 | 5.61 | 5.64 | 2.29 | 2.32 |
| 10 year | 4.17 | 4.21 | 4.17 | 4.21 | 5.10 | 5.14 | 5.65 | 5.68 | 2.40 | 2.43 |
| 12 year | 4.32 | 4.36 | 4.32 | 4.36 | 5.13 | 5.18 | 5.75 | 5.78 | 2.60 | 2.64 |
| 15 year | 4.52 | 4.56 | 4.52 | 4.56 | 5.17 | 5.22 | 5.86 | 5.90 | 2.82 | 2.85 |
| 20 year | 4.73 | 4.77 | 4.73 | 4.77 | 5.19 | 5.24 | 5.96 | 5.99 | 3.01 | 3.05 |
| 25 year | 4.84 | 4.88 | 4.84 | 4.88 | 5.18 | 5.25 | 5.96 | 5.99 | 3.11 | 3.15 |
| 30 year | 4.91 | 4.95 | 4.91 | 4.95 | 5.20 | 5.27 | 5.92 | 5.96 | 3.16 | 3.21 |

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve — Per cent

Euro against the dollar — $ per €





Source: Interactive Data/FT Information

### EURO-ZONE BONDS

| Feb 08 | Red date | Coupon | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| ■ SOVEREIGNS | | | | | | | | |
| UK | 01/01 | 4.250 | AAA | 102.087 | 3.14 | +0.04 | -0.03 | +0.14 |
| Denmark | 01/02 | 4.750 | AA+ | 104.005 | 3.28 | +0.06 | -0.00 | +0.16 |
| Sweden | 02/01 | 5.000 | AA+ | 103.498 | 3.16 | +0.04 | -0.04 | +0.16 |
| Greece | 11/06 | 8.750 | BBB | 116.122 | 4.40 | +0.05 | -0.07 | +0.81 |
| ■ SUPRANATIONALS | | | | | | | | |
| ADB | 10/07 | 5.500 | AAA | 108.573 | 4.30 | +0.05 | +0.16 | +0.02 |
| EIB | 04/08 | 5.000 | AAA | 107.347 | 4.02 | +0.05 | +0.13 | +0.26 |
| Eurofima | 12/09 | 5.625 | AAA | 110.195 | 4.42 | +0.05 | +0.08 | +0.58 |
| World Bank | 04/05 | 7.125 | AAA | 117.827 | 3.81 | +0.05 | +0.06 | +0.32 |
| ■ UTILITIES | | | | | | | | |
| EDF | 10/08 | 3.750 | n/a | 101.185 | 3.47 | +0.04 | +0.07 | +0.24 |
| TEPCO | 02/03 | 4.750 | AA | 103.480 | 3.80 | +0.05 | +0.05 | +0.57 |
| Ontario Hydro | 03/06 | 5.375 | A+ | 105.875 | 4.57 | +0.05 | +0.03 | +0.81 |
| Norsk Hydro | 10/06 | 7.250 | A | 102.303 | 3.84 | -0.01 | -0.02 | +0.59 |
| ■ FINANCIALS | | | | | | | | |
| Bad Wurtt | 08/10 | 5.375 | AAA | 108.781 | 4.35 | +0.08 | +0.05 | +0.45 |
| DKB | 09/07 | 5.750 | AAA | 111.610 | 4.11 | +0.05 | +0.12 | +0.45 |
| Credit Local | 04/08 | 5.250 | AA+ | 109.542 | 4.26 | +0.07 | +0.19 | +0.60 |
| Abbey Natl | 01/09 | 5.000 | AA- | 102.879 | 4.65 | +0.06 | +0.04 | +0.82 |
| ■ INDUSTRIALS | | | | | | | | |
| Unilever | 10/01 | 5.125 | AAA | 104.208 | 3.46 | +0.04 | +0.14 | +0.49 |
| McDonalds | 03/06 | 5.125 | AA | 105.007 | 4.31 | +0.06 | +0.41 | +0.56 |
| Philip Morris | 08/08 | 5.625 | A | 105.814 | 4.83 | +0.05 | +0.00 | +1.07 |
| BAT Int Fin | 07/06 | 5.375 | A- | 102.450 | 4.97 | +0.05 | -0.14 | +1.36 |
| ■ PFANDBRIEFE | | | | | | | | |
| Rhein Hypo | 12/01 | 5.500 | n/a | 106.812 | 3.29 | +0.03 | -0.05 | +0.29 |
| Eurohypo AG | 01/04 | 5.000 | n/a | 105.508 | 3.82 | +0.03 | -0.05 | +0.15 |
| Bayer Vereins | 01/06 | 8.000 | n/a | 113.300 | 3.78 | +0.04 | -0.03 | +0.19 |
| Depfa | 07/06 | 4.750 | n/a | 105.147 | 4.08 | +0.05 | +0.00 | +0.32 |
| ■ HIGH YIELD | | | | | | | | |
| Sabertt | 04/07 | 10.125 | B+ | 108.708 | 8.38 | +0.10 | +0.11 | +4.68 |
| Colt Telecom | 11/07 | 8.875 | n/a | 105.473 | 7.84 | +0.03 | -0.85 | +4.18 |
| Impress Metal | 05/07 | 9.875 | B | 104.539 | 9.06 | +0.06 | +1.21 | +5.40 |
| Remy Cointreau | 07/05 | 10.000 | B+ | 94.365 | 11.25 | +0.07 | +0.16 | +7.76 |

Standard & Poor's ratings. Source: Interactive Data/FT Information.

## FTSE EUROTOP 300

| Name | Price (Euro) | Chge +or- | Mkt cap Euro(bn) | Vol (m) | Yld |
|---|---|---|---|---|---|
| **AEROSPACE & DEFENCE** | | | | | |
| Brit Aero | 6.41 | +.2 | 8.5 | 3.8 | 1.5 |
| Smiths Ind | 14.16 | +.2 | 6.4 | 1.1 | 2.6 |
| Thomson CSF | 29.84 | -1.5 | 6.1 | 0.5 | 1.6 |
| **AUTOMOBILES** | | | | | |
| BMW | 726.49 | +67.5 | 16.2 | - | 1.2 |
| DaimlerChrys | 86.26 | -1.8 | 88.1 | 0.5 | - |
| Fiat | 2.98 | +.1 | 16.2 | 16.4 | 2.2 |
| GKN | 12.82 | -.1 | 8.9 | 1.6 | 1.9 |
| LucasVarity | 4.22 | - | 5.9 | 3.7 | 2.8 |
| Michelin B | 37.80 | +0.8 | 5.2 | 1.1 | 1.5 |
| Peugeot | 138 | +1.5 | 6.6 | 0.1 | 0.5 |
| Pirelli Spa | 2.81 | - | 4.8 | 3.0 | 2.5 |
| Renault | 44.50 | +1.4 | 10.7 | 0.6 | 1.2 |
| Valeo | 78.80 | +0.1 | 6.5 | 0.3 | 1.3 |
| Volkswagen | 66.35 | -.8 | 28.8 | 0.1 | 0.8 |
| Volvo A | 23.36 | -.5 | 3.2 | - | 2.4 |
| Volvo B | 24.06 | -.5 | 7.3 | 0.5 | 2.5 |
| **BANKS** | | | | | |
| ABN Amro | 18.48 | -.1 | 26.6 | 4.6 | 2.6 |
| Abbey Natl | 18.69 | -.4 | 22.5 | 1.8 | 3.5 |
| Alliance & L | 10.86 | -.1 | 6.3 | 1.1 | 3.7 |
| Allied Irish | 16.15 | -.3 | 13.8 | - | 1.8 |
| [illegible] | 74 | -.5 | 14.4 | 0.1 | 4.0 |
| Argentaria | 20.52 | -.5 | 19.9 | 1.4 | 1.6 |
| Banca Comm | 5.86 | - | 10.1 | 0.9 | 1.6 |
| Banc Fideuram | 5.23 | -.4 | 4.7 | 1.3 | 1.5 |
| Banca Intesa | 4.32 | -.2 | 16.9 | 2.7 | 0.7 |
| Banca di Roma | 1.39 | - | 6.9 | 16.9 | - |
| Banco Bilbao | 12.76 | -.3 | 26.1 | 6.6 | 1.3 |
| Banco Hispano | 18.91 | -.2 | 11.1 | [illegible] | 1.1 |
| Banco Comercial | 27.38 | -.2 | 8.4 | - | 1.7 |
| Banco Popular | 61.40 | -.2 | 6.6 | 0.1 | 2.2 |
| Banco de San | 16.59 | -.2 | 19.6 | 5.5 | 1.9 |
| Bank Austria | 41.88 | -.8 | 3.7 | 0.5 | 2.6 |
| Bank of Irel | 18.80 | -.5 | [illegible] | - | 1.2 |
| Bank Scot | 17.10 | -.3 | 14.7 | 3.7 | 1.8 |
| BNP | 75 | -.1 | 16.4 | 0.6 | 1.6 |
| Barclays | 19.57 | -.5 | 30.2 | 2.3 | 3.5 |
| Bay Hypo Ver | 64.39 | -.8 | 22.6 | 0.1 | 1.5 |
| Commerzbank | 28.70 | -.6 | 12.4 | 0.2 | 2.0 |
| CCF | 80.65 | -4.2 | 8.6 | 0.3 | 1.3 |
| CS Group (Re | 137.92 | -.7 | 37.9 | 0.6 | 2.0 |
| Danske Bank | 115.74 | -1.2 | 6.1 | 0.1 | 2.1 |
| Deutsche Bank | 49.58 | -.8 | 26.4 | 0.3 | 2.3 |
| Dresdner Bank | 34.16 | -.2 | 18.6 | 0.1 | 2.5 |
| ForeningsSpa | 22.43 | -.5 | 7.9 | 1.3 | 3.0 |
| HSBC (75p) | 28.84 | -.2 | 20.3 | 1.3 | 4.1 |
| HSBC (HK$10) | 27.47 | -.1 | 32.8 | 7.8 | 4.4 |
| Halifax | 10.87 | - | 34.6 | 3.6 | 4.4 |
| KBC Holdings | 73.80 | +.5 | 21.5 | 0.2 | 1.9 |
| LloydsTSB | 11.15 | +.1 | 60.4 | 10.2 | 3.0 |
| Merita | 5.30 | - | 4.8 | 1.3 | 3.0 |
| National Bank | 64.76 | +.7 | 6.2 | 0.4 | 1.1 |
| Nat West | 16.91 | -.4 | 28.9 | 2.7 | 2.6 |
| Nordbanken H | 5.86 | -.1 | 7.5 | 5.8 | 2.0 |
| Rolo Banca | 20.56 | - | 8.8 | 0.7 | 1.6 |
| Ryl Bk Scot | 17.96 | -.5 | 14.9 | 2.4 | 2.5 |
| SanPaolo-Imi | 14.36 | -.1 | 20.1 | 2.5 | - |
| S-E-Banken A | 9.62 | - | 5.8 | 1.7 | 3.4 |
| Soc Generale | 138.80 | +.7 | 14.9 | 0.6 | 2.3 |
| [illegible] | 11.85 | +.1 | 11.7 | 2.2 | 3.0 |
| Sv Handelsb | 34.48 | -1.2 | 8.2 | 0.8 | 2.1 |
| UBS AG (Reg) | 282.74 | -7.0 | 60.6 | 0.5 | 2.2 |
| [illegible] | 4.90 | -.5 | 20.9 | 18.2 | 1.8 |
| Woolwich | 4.86 | -.2 | 7.3 | 2.5 | 3.8 |
| **BEVERAGES** | | | | | |
| Allied-Dom | 6.81 | -.1 | 7.1 | 3.1 | 3.4 |
| Carlsberg B | 43.74 | - | 1.3 | - | 1.2 |
| Diageo | 9.46 | -.2 | 34.0 | 3.3 | 3.0 |
| Heineken | 48.03 | -.8 | 14.6 | 0.7 | 0.7 |
| **CHEMICALS** | | | | | |
| Air Liquide | 136.00 | +.2 | 11.5 | 0.2 | 1.5 |
| Akzo | 36.36 | - | 10.4 | 1.4 | 2.7 |
| BASF | 31.85 | -.1 | 20.0 | 0.3 | 3.2 |
| BOC | 12.59 | +.2 | 6.1 | 0.6 | 4.1 |
| Bayer | 32 | -.1 | 23.4 | 0.5 | 3.0 |
| Ciba Spec Ch | 77 | +.8 | 4.7 | 0.3 | - |
| Clariant (Re | 409.15 | +7.5 | 6.7 | - | 1.9 |
| Degussa | 36.10 | +.2 | 5.4 | 0.1 | 2.8 |
| Hoechst | 36.50 | -1.6 | 22.7 | 0.1 | 2.0 |
| ICI | 7.84 | - | 5.7 | 1.8 | 6.2 |
| Rhone Poulen | 43.80 | -.6 | 16.0 | 0.7 | 1.4 |
| Solvay | 60.90 | -.2 | 5.1 | - | 2.4 |
| UCB | 31.70 | -1.6 | 7.3 | 0.5 | 0.4 |
| **CONSTRUCTION & BUILDING** | | | | | |
| Bouygues | 226.30 | +8.0 | 6.5 | 0.0 | 1.1 |
| CRH | 18.25 | +.5 | 6.2 | - | 1.3 |
| Hanson | 6.85 | -.1 | 4.9 | 1.2 | 3.2 |
| Holderbank B | 1,106.45 | +7.7 | 4.6 | - | 1.3 |
| Lafarge | 85 | +0.8 | 8.2 | 0.5 | 2.2 |
| Saint Gobain | 136 | +4.1 | 12.5 | 0.6 | 2.0 |
| **DISTRIBUTORS** | | | | | |
| [illegible] | 56 | +0.6 | 3.9 | 0.1 | 1.3 |
| [illegible] | 71 | -1.5 | 3.4 | - | 1.3 |
| **DIVERSIFIED INDUSTRIALS** | | | | | |
| Investor A | 40.33 | -1.2 | 3.1 | - | 2.0 |
| Investor B | 41.03 | -1.8 | 4.6 | 0.2 | 2.7 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| RWE | 41.38 | -.2 | 21.3 | 0.1 | 2.2 |
| Suez-Lyon de Eaux | 171.30 | -0.3 | 35.2 | [illegible] | 1.3 |
| Viag | 480.50 | +13.5 | 12.5 | - | 1.5 |
| Valeo | 48.23 | +1.5 | 24.6 | 0.2 | 2.2 |
| Vivendi | 242 | -0.9 | 36.7 | 0.8 | 0.8 |
| **ELECTRICITY** | | | | | |
| Br Energy | 9.80 | -.2 | 7.3 | 2.7 | 2.9 |
| Edison | 8.85 | -.5 | 8.6 | 0.1 | 1.9 |
| Electrabel | 290.00 | -0.2 | 20.0 | 0.1 | 2.5 |
| Elect de Por | 38.86 | -.6 | 9.6 | - | 3.1 |
| Endesa | 23.53 | -.6 | 24.5 | 5.6 | 1.6 |
| Iberdrola | 14.06 | -.5 | 19.4 | 3.1 | 2.5 |
| Nat Grid | 7.12 | - | 10.5 | 3.8 | 2.3 |
| Nat Power | 7.16 | +.4 | 8.9 | 3.8 | 6.5 |
| PowerGen | 11.07 | +.2 | 7.5 | 1.5 | 4.6 |
| Scot Hydro | 8.61 | +.5 | 7.7 | 4.8 | 4.4 |
| Scot Power | 8.81 | +.1 | 10.9 | 6.4 | 4.3 |
| Tractebel | 148 | -1.5 | 13.0 | - | 1.8 |
| Union Fenosa | 14.00 | -.2 | 4.4 | 0.6 | 1.7 |
| **ELECTRONIC & ELECTRICAL EQUIPT** | | | | | |
| ABB A | 10.05 | - | 10.9 | 2.2 | 2.2 |
| ABB (R) | 1,150.35 | +10.2 | 10.5 | 0.1 | 2.3 |
| Alstom | 22 | +.7 | 4.7 | 0.9 | - |
| GEC | 7.06 | +.3 | 20.6 | 4.4 | 2.7 |
| [illegible] | [illegible] | [illegible] | 4.6 | 0.4 | 1.8 |
| [illegible] | [illegible] | +0.2 | 4.2 | 0.1 | 3.0 |
| Legrand | 198 | +4.0 | 4.2 | - | 0.7 |
| Philips | 63.65 | -.7 | 21.9 | 1.2 | 1.4 |
| Schneider | 37.00 | +0.3 | 5.9 | 0.8 | 1.7 |
| Siemens | 62.50 | -4.0 | 36.6 | 0.2 | 1.6 |
| **ENGINEERING & MACHINERY** | | | | | |
| Atlas Copco A | 22.70 | -.8 | 2.9 | 1.0 | 2.1 |
| Atlas Copco B | 22.57 | +.8 | 1.4 | 0.4 | 2.1 |
| [illegible] | [illegible] | - | 12.5 | 0.0 | 1.2 |
| Linde | 597 | -10.0 | 4.3 | - | 1.6 |
| MAN | 236.00 | -0.6 | 3.8 | - | 3.2 |
| Mannesmann | 117 | -4.0 | 45.5 | 0.1 | 0.4 |
| Preussag | 480 | -0.6 | 7.4 | - | 1.7 |
| Sandvik A | 18.42 | -.3 | 4.8 | 0.6 | 4.3 |
| Scania A | 22.21 | -1.3 | 2.7 | 0.1 | 2.3 |
| Scania B | 27.50 | -1.2 | 2.7 | 1.0 | 2.3 |
| Thyssen | 181.45 | +15.4 | 6.2 | 0.1 | 3.0 |
| Valmet | 3.47 | - | 4.0 | 3.2 | 0.9 |
| **FOOD & DRUG RETAILERS** | | | | | |
| Asda | 2.26 | - | 6.6 | 10.1 | 2.3 |
| Ahold | 34.60 | -.6 | 21.0 | 2.7 | 1.0 |
| Carrefour | 601 | -3.0 | 23.3 | 0.1 | 0.8 |
| Casino | 90.60 | +0.2 | 5.6 | 0.1 | 1.3 |
| Delhaize Fre | 77 | +2.0 | 4.5 | 0.1 | 0.8 |
| Promodes | 595 | -64.5 | 11.3 | - | 0.4 |
| Safeway | 4.05 | - | 4.5 | 4.7 | 6.4 |
| Sainsbury | 5.59 | -.1 | 10.6 | 3.9 | 4.6 |
| Tesco | 2.65 | - | 17.7 | 14.5 | 2.7 |
| **FOOD PRODUCERS & PROCESSORS** | | | | | |
| AB Foods | 7.65 | - | 6.8 | 0.6 | 2.2 |
| Cadbury Schw | 13.21 | - | 13.5 | 2.2 | 2.8 |
| Danone | 248 | -4.2 | 18.2 | 0.2 | 1.1 |
| Eridania B-S | 132 | -.5 | 3.4 | - | 4.0 |
| Nestle R | 1,571.46 | -18.2 | 62.5 | 0.1 | 1.4 |
| Numico | 41.40 | -1.5 | 5.3 | 0.8 | 0.8 |
| Unilever NV | 65 | -1.2 | 48.3 | 2.2 | 4.7 |
| Unilever PLC | 8.13 | - | 26.5 | 4.1 | 1.9 |
| **FORESTRY & PAPER** | | | | | |
| SCA B | 20.03 | -.2 | 2.7 | 0.5 | 3.0 |
| Stora Enso A | 8.40 | -.4 | 2.8 | 0.1 | 4.4 |
| Stora Enso R | 8.50 | +.4 | 4.4 | 3.0 | 4.5 |
| UPM-Kymmene | 24.50 | - | 6.8 | 0.3 | 3.6 |
| **GAS DISTRIBUTION** | | | | | |
| BG | 5.25 | - | 20.6 | 6.6 | 2.9 |
| Centrica | 1.88 | - | 7.5 | 6.5 | - |
| Gas Natural | 92.86 | -6.6 | 13.1 | 0.2 | 0.4 |
| **GENERAL RETAILERS** | | | | | |
| Boots | 12.84 | +.2 | 11.5 | 1.3 | 3.3 |
| Dixons | 15.07 | +.3 | 6.3 | 4.9 | 1.5 |
| GUS | 10.30 | -.2 | 10.5 | 3.4 | 3.6 |
| H & M B | 70.60 | -8.6 | 12.9 | 0.6 | 1.6 |
| Kingfisher | 10.00 | +.2 | 13.5 | 3.6 | 2.2 |
| Marks & S | 5.34 | - | 15.6 | 8.7 | 5.6 |
| Metro AG | 69.80 | -4.2 | 18.8 | 0.1 | 1.5 |
| Pinault Prtm | 158.20 | -4.7 | 18.5 | 0.2 | 0.8 |
| **HEALTH** | | | | | |
| Gambro A | 9.49 | - | 2.8 | 0.5 | 2.7 |
| Nycomed Amer | 5.95 | - | 3.6 | 0.6 | 1.5 |
| **HOUSEHOLD & TEXTILES** | | | | | |
| Adidas Salom | 93.60 | +2.7 | 3.7 | 0.1 | 1.9 |
| Christian Di | 116.50 | +3.0 | 3.5 | - | 3.2 |
| Electrolux B | 16.11 | -.1 | 5.7 | 1.2 | 1.7 |
| LVMH | 230 | +5.1 | 19.6 | 0.2 | 1.2 |
| Swatch Br | 560.43 | -10.0 | 1.6 | - | 1.6 |
| Swatch Reg | 119.80 | +.3 | 1.9 | - | 1.8 |
| **I.T. HARDWARE** | | | | | |
| ASM Lithogra | 40.65 | +1.4 | 5.6 | 2.1 | - |
| Alcatel SA | 98.70 | +0.8 | 18.2 | 1.4 | 1.6 |
| Ericsson B | 24.36 | -.3 | 40.4 | 6.4 | 0.6 |
| Nokia A | 119.80 | +0.9 | 23.1 | 2.0 | 0.6 |
| ST Microelec | 84.50 | -0.2 | 12.0 | 0.4 | - |
| **INSURANCE** | | | | | |
| Aegon | 123.00 | -0.6 | 42.7 | 0.4 | 1.3 |
| Assicur Gen | 118 | +0.8 | 1.8 | - | 0.7 |
| Allianz | 304 | -5.0 | 73.6 | 0.1 | 0.6 |
| Allied Zurich | 12.78 | -.1 | 20.1 | 4.1 | - |
| AXA | 54.26 | -1.0 | 16.2 | 0.2 | 1.4 |
| Generali (Reg) | 300.00 | -68.5 | 4.2 | - | 3.3 |
| CGU | 12.37 | -.3 | 16.2 | 2.2 | 3.3 |
| Ergo Versich | 128.00 | -1.3 | 8.8 | - | 0.6 |
| Fortis (B) | 34.36 | -.3 | 24.6 | 0.7 | 2.8 |
| Fortis (NL) | 34.15 | -.6 | 14.5 | 2.9 | 1.5 |
| Generali | 34.25 | -.5 | 36.6 | 3.0 | 0.6 |
| GRE | 5.38 | - | 4.5 | 4.3 | 1.2 |
| ING | 50.70 | -4.6 | 49.0 | 3.6 | 2.3 |
| Munich Re RP | 370.70 | -4.5 | 37.0 | - | - |
| Prudential | 9.41 | -.2 | 8.2 | 1.7 | 1.6 |
| Royal Sun Al | 6.58 | -.3 | 16.8 | 6.4 | 5.0 |
| Skandia | 14.34 | -.1 | 7.2 | 1.2 | 0.6 |
| Swiss Re R | 2,078.29 | -18.8 | 30.4 | - | 1.3 |
| Zurich Allie | 125.54 | -10.3 | 28.3 | 0.1 | 1.2 |
| **INVESTMENT COMPANIES** | | | | | |
| 3i Group | 8.12 | +.1 | 5.4 | 1.7 | 2.1 |
| [illegible] | [illegible] | -.3 | 3.5 | - | 2.3 |
| [illegible] | 184 | -0.8 | 2.8 | - | 2.4 |
| **LEISURE ENTERTAINMENT & HOTELS** | | | | | |
| Accor | 205 | +15.9 | 7.4 | 0.4 | 1.2 |
| Granada | 16.47 | -.2 | 16.6 | 1.7 | 1.2 |
| Ladbroke | 3.81 | +.6 | 4.7 | 22.2 | 2.8 |
| **LIFE ASSURANCE** | | | | | |
| Aegon | 94.00 | -4.2 | 53.3 | 2.0 | 0.9 |
| Alleanza Ass | 9.25 | -.2 | 7.5 | 4.0 | 0.9 |
| Axa | [illegible] | - | 6.2 | 10.5 | 1.0 |
| Legal & Gen | 12.57 | -.1 | 15.8 | 1.4 | 1.5 |
| Norwich Un | 6.84 | -.2 | 12.5 | 1.8 | 3.3 |
| Prudential | 12.70 | -.1 | 24.8 | 3.3 | 2.2 |
| Sun Life & P | 7 | -.1 | 5.7 | 0.8 | 3.2 |
| **MEDIA & PHOTOGRAPHY** | | | | | |
| B Sky B | 7.07 | - | 18.5 | 3.1 | 1.0 |
| Canal Plus | 266.20 | +0.5 | 8.4 | 0.1 | 1.2 |
| Carlton C | 9.37 | -.1 | 5.7 | 2.7 | 2.4 |
| EMI | 6.61 | -.2 | 5.2 | 3.3 | 3.8 |
| Elsevier | 13.90 | -.2 | 9.6 | 2.8 | 2.2 |
| Mediaset | 8.35 | -.1 | 8.5 | 2.9 | 1.5 |
| Pearson | 18.90 | -.6 | 11.5 | 1.8 | 1.3 |
| Reed Int | 7.82 | -.2 | 8.9 | 3.5 | 3.4 |
| Reuters | 12.80 | -.5 | 17.9 | 3.5 | 1.9 |
| [illegible] | 8.73 | -.2 | 4.4 | 0.9 | 4.0 |
| VNU | 38.25 | -.5 | 6.6 | 1.0 | 1.0 |
| WPP | 6.74 | -.1 | 5.2 | 2.1 | 0.5 |
| Wolters Kluw | 189.25 | -5.0 | 13.6 | 0.3 | 0.9 |
| **MINING** | | | | | |
| Billiton | 1.89 | +.1 | 3.9 | 16.4 | - |
| Rio Tinto | 11.59 | +.6 | 12.2 | 3.7 | 4.6 |
| **OIL & GAS** | | | | | |
| BP Amoco | 12.65 | - | 125.1 | 17.3 | 3.3 |
| Electrafina | 103.50 | +.5 | 4.8 | - | 2.1 |
| ENI | 5.70 | -.1 | 45.8 | 45.5 | 2.5 |
| Norsk Hydro | 33.30 | +1.3 | 8.6 | 0.2 | 2.6 |
| Petrofina | 424.00 | +10.5 | 10.0 | 0.1 | 2.8 |
| Repsol | 46.25 | +.4 | 14.5 | 1.2 | 1.9 |
| Royal Dutch | 40.10 | -.5 | 86.6 | 18.1 | 3.6 |
| Shell Trans | 4.91 | -.3 | 48.8 | 27.2 | 3.8 |
| TF Aquitaine | 108.20 | +2.1 | 28.8 | 0.8 | 2.2 |
| Total B | 86.05 | +.5 | 20.8 | 1.2 | 2.6 |
| **PACKAGING** | | | | | |
| Rexam-Lp | 1,062.12 | -30.8 | 6.3 | - | - |
| **PERSONAL & HOUSEHOLD PRODUCTS** | | | | | |
| Beiersdorf | 59.40 | +.2 | 5.6 | - | 0.8 |
| Henkel PF | 73.25 | +0.8 | 4.8 | 0.1 | 1.8 |
| L'Oreal | 603.00 | +17.5 | 44.1 | 0.1 | 0.4 |
| Reckitt & C | 12.04 | +.3 | 5.2 | 3.3 | 2.8 |
| **PHARMACEUTICALS** | | | | | |
| Astra A | 18.34 | - | 28.6 | 4.6 | 1.2 |
| Glaxo Wllcm | 27.50 | -.4 | 100.2 | 8.4 | 1.8 |
| Novartis R | 1,632.60 | -16.8 | 100.3 | 0.1 | 1.0 |
| Novo Nordisk | 100.37 | -1.7 | 6.7 | 0.2 | 0.7 |
| Roche Hold G | 11,104.23 | -83.7 | 107.2 | - | 0.5 |
| **REAL ESTATE** | | | | | |
| Br Land | 6.97 | -.1 | 3.4 | 3.0 | 2.1 |
| Land Sec | 11.40 | - | 6.4 | 1.8 | 4.6 |
| **RESTAURANTS PUBS & BREWERIES** | | | | | |
| Bass | 12.38 | +.1 | 9.6 | 1.8 | 4.4 |
| Compass | 10.35 | -.1 | 7.0 | 3.3 | 0.8 |
| Scot & New | 10.64 | +.1 | 5.5 | 0.8 | 4.1 |
| Whitbread | 13.80 | +.4 | 6.7 | 1.5 | 3.6 |
| **SOFTWARE & COMPUTER SERVICES** | | | | | |
| Cap Gemini | 126.90 | -8.6 | 11.2 | 0.2 | 0.3 |
| Misys PLC | 9.65 | - | 3.5 | 2.4 | 0.6 |
| SAP (Pref) | 387 | -6.0 | 14.0 | - | 0.4 |
| SAP | 394 | -6.0 | 16.5 | - | 0.6 |
| Sema Gp | 10.01 | +.2 | 4.8 | 0.2 | 0.3 |
| **SPECIALITY & OTHER FINANCE** | | | | | |
| Amvescap | 7.81 | -.3 | 5.2 | 1.8 | 1.3 |
| CLF Dexia | 126.30 | +.6 | 8.8 | 0.1 | 1.8 |
| Dexia | 140.20 | +4.7 | 8.6 | 0.1 | 0.2 |
| [illegible] | 9.65 | -.2 | 6.6 | 1.1 | 1.2 |
| Paribas | 86.60 | +.7 | 10.8 | 0.7 | - |
| Prov Fincl | 12.52 | -.1 | 3.5 | 1.4 | 3.6 |
| Schroders | 16.84 | +.1 | 4.8 | 0.1 | 1.7 |
| **SUPPORT SERVICES** | | | | | |
| Adecco (Br) | 418.20 | -10.2 | 7.8 | - | 1.1 |
| Hays | 7.82 | -.2 | 6.7 | 4.6 | 1.2 |
| [illegible] | 48.60 | -1.6 | 5.6 | 0.1 | 0.8 |
| Rentokil | 5.40 | - | 14.6 | 3.8 | 0.9 |
| Sodexho | 198 | -8.0 | 5.3 | 0.1 | 0.8 |
| TNT Post Grp | 30.28 | -.6 | 14.5 | 1.0 | 0.4 |
| Williams | 5.46 | - | 4.9 | 2.4 | 4.5 |
| **TELECOMMUNICATION SERVICES** | | | | | |
| BT | 13.42 | - | 86.7 | 9.4 | 2.6 |
| Cable & Wire | 10.91 | +.1 | 15.1 | - | - |
| Cable & W | 11.84 | - | 28.5 | 4.4 | 1.7 |
| Deutsche Tel | 35.46 | -.6 | 96.5 | 6.5 | 1.5 |
| France Telec | 77.25 | -4.0 | 26.6 | 1.3 | 1.5 |
| [illegible] | 3.88 | - | 8.6 | 68.6 | - |
| Orange | 12.38 | -.2 | 14.5 | 8.8 | - |
| Portugal Tel | 44.68 | -.3 | 8.4 | - | 2.8 |
| [illegible] | 42.35 | -.4 | 100 | 2.6 | 2.0 |
| Securicor | 8.44 | - | 5.7 | 5.4 | 0.6 |
| Swisscom (Re | 359.43 | -29.6 | 9.1 | 0.1 | 1.9 |
| Tele Danmark | 115.86 | -.4 | 12.9 | 0.2 | 2.2 |
| Telecom Ital | 8.48 | -.3 | 60.8 | 35.4 | 1.2 |
| TIM | 5.88 | -.3 | 49.5 | 36.2 | 0.6 |
| Telefonica | 39.48 | -.3 | 42.2 | 2.4 | 1.7 |
| Telecom Cem | 3.82 | - | 7.7 | 6.5 | - |
| Vodafone | 16.59 | -.1 | 48.2 | 12.0 | 0.7 |
| **TOBACCO** | | | | | |
| Brit Am Tob | 8.05 | +.3 | 14.1 | 1.7 | 4.8 |
| Gallaher | 6.02 | -.1 | 4.7 | 1.8 | 5.8 |
| Imperial Tob | 9.00 | - | 5.2 | 0.4 | 4.2 |
| Richemont A | 1,497.89 | +18.5 | 7.8 | - | 1.8 |
| Tabacalera | 21.02 | - | 3.8 | 0.4 | 1.5 |
| **TRANSPORT** | | | | | |
| Acesa | 12.60 | -.2 | 4.3 | 0.7 | 2.8 |
| BAA | 10.78 | +.2 | 11.4 | 1.7 | 2.4 |
| DS 1912 B | 5,854.10 | +66.7 | 3.2 | - | 0.1 |
| DS Svendbor | 8,546.23 | +671.2 | 3.2 | - | 0.1 |
| Lufthansa | 19 | +.3 | 3.6 | 0.5 | 2.4 |
| P & O | 8.56 | +.2 | 6.1 | 2.9 | 6.4 |
| Railtrack | 22.78 | -.8 | 11.6 | 1.2 | 1.8 |
| Stagecoach | 3.83 | - | 5.0 | 2.7 | 1.3 |
| **WATER** | | | | | |
| Anglian Wtr | 11.16 | -.1 | 3.8 | 1.5 | 5.6 |
| Severn Trent | 13.30 | +.3 | 4.6 | 0.6 | 4.5 |
| Thames Water | 16.92 | +.6 | 5.6 | 1.4 | 4.5 |
| Utd Utils | 11.45 | - | 6.3 | 1.3 | 5.3 |

**Notes**

Price data and market capitalisations supplied by FTSE International. Market cap figures are based on shares used in index calculations. Market cap not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Emu countries. Trading Volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information. Company classifications are based on those used for the FTSE Eurotop share indices. Prices of stocks may move on public holidays due to currency fluctuations.

Prices of Sterling? companies on this page from electronic Xetra trading.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FT 02 99

DERIVATIVES JUNE LINK-UP PLANNED

# Exchanges to offer 24-hour global trading

By Bauer Iskander in Paris and Nikki Tait in Chicago

Three leading derivatives exchanges yesterday announced a global alliance spanning three time zones and offering round-the-clock trading in some of the most actively traded financial products on a single electronic platform.

Matif, the derivatives arm of the SBF-Paris Bourse, the Chicago Mercantile Exchange, the second largest US derivatives market, and the Singapore International Monetary Exchange, said they would start listing their most popular products on a common computer network by June.

The so-called Globex Alliance, based on the NSC front-end trading technology developed by the SBF, will be the only system listing short-term interest rate derivatives on the world's three leading currencies – the dollar, the euro and the yen – almost 24 hours a day.

By including existing alliances between Matif and its Spanish and Italian counterparts, the Globex Alliance will link some 2,000 trading screens in Europe, the US and Asia.

The link comes just weeks after the launch of the euro, which has intensified competition among Europe's derivatives exchanges.

Matif is fighting for market share in euro-denominated bonds and interest rate derivatives against the London International Financial Futures and Options Exchange and Eurex, the Swiss-German exchange.

Yesterday's move also follows a recent souring of the relationship between Matif and Eurex, with which it has a looser co-operation agreement. By offering direct access to traders based in Asia and the US, Matif is hoping to draw business away from Liffe in Euribor futures, the benchmark product for interest rates in the 11-country euro-zone.

The alliance, which will require Simex to adopt the French trading system, will seal several long-standing relationships between the three exchanges.

In 1997 they also agreed to exchange technologies, with the French cash and derivatives markets adopting the CME's clearing system and the CME implementing NSC trading technology.

The CME and Simex have also had a mutual offset arrangement since 1984, allowing each other's members to close on each exchange a trading position opened on the other. "This alliance was a natural and important next step for us," said Scott Gordon, CME chairman.

Mr Gordon stressed that the Globex arrangements would not prevent the CME from striking other alliances – something it has been seeking as part of a strategic plan – and said the exchange was "still in discussions with numerous counterparties".

He also revealed that talks were planned with David Brennan, the new chairman of the rival Chicago Board of Trade, "to analyse any number of areas of co-operation".

# BoJ pressed to buy JGBs

BENCHMARK BONDS

By Arkady Ostrovky and Florian Gimbel in London and John Labate in New York

Confusion over the Japanese borrowing strategy caused turmoil in the Japanese bond market yesterday.

Japanese government bonds rallied in late trading in Tokyo after Hiromu Nonaka, the government spokesman, stepped up the pressure on the Bank of Japan to buy JGBs to restrain rising bond yields and flatten the yield curve.

"Responsibility for breaking out of the present severe situation rests with the Bank of Japan as the central bank, through crafting such measures as buying JGBs in the market," he said. His comments brought the 10-year bond yields down to 2.160 per cent after Friday's close of 2.365 per cent. The benchmark 10-year JGB 203 future jumped to 128.45 from Friday's close of 126.70 in Tokyo.

But James Mitchell at Nomura said the rally was preceded by a sell-off in the JGBs triggered by the comments from Yutaka Yamaguchi, the deputy governor of the Bank of Japan, who ruled out any support for the bond market from the independent central bank.

The Bank of Japan will meet on Friday to discuss its policy.

"The pressure on the central bank to do something about the rise in long yields has been rising steadily ahead of the meeting," said Ian Douglas at Warburg Dillon Read.

But he argued that even if the Bank of Japan were to sell short-term securities in order to buy JGBs with longer maturity – as suggested by the Japanese finance minister – the move would have limited impact on the real economy.

The fall in Japanese bond yields supported US Treasuries by reducing the chances of Japanese funds being repatriated from the US. Treasuries moved higher yesterday ahead of today's $15bn auction of five-year paper, which analysts say will test the demand for Treasuries.

By early afternoon the 30-year bond, the benchmark for long-term interest rates, was up [illegible] to 98[illegible], sending the yield down to 5.329. A morning selloff in the equity market had helped to boost bonds by midday.

The 10-year note gained [illegible] to 98[illegible], yielding 4.920 per cent, and the two-year note gained [illegible] to 99[illegible], yielding 4.785 per cent.

European bond markets closed lower after investors concluded that the euro-zone economies may be stronger than previously assumed. The March German bund future dropped 0.6 to 115.69.

Observers said Germany's economic data to be released today was likely to show an unexpected drop in unemployment in January.

# Singapore in exchangeable issue

NEW ISSUES

By Vincent Boland and Edward Luce

Singapore yesterday issued a $1.3bn bond which can be exchanged after five years for shares of Development Bank of Singapore in one of the largest transactions of its type from an Asian borrower.

It is the second time in less than a year that the Singaporean government has issued exchangeable bonds in order to raise cash and reduce its stakes in companies in which the state is a shareholder. Last March it raised about $1.15bn in a bond issue exchangeable into shares of Singapore Telecom.

This latest transaction, taking advantage of buoyant conditions in the convertible and exchangeable bond market, was issued by Finlayson Global Corp, a special purpose vehicle, and could raise up to $1.6bn if an overallotment option is exercised.

The bonds were denominated in euros and US and Singaporean dollars, and are exchangeable into shares representing about 15 per cent of DBS, one of Singapore's main banking groups, at a conversion premium of 20 to 25 per cent.

The BSP – the central bank of the Philippines – yesterday took advantage of the more relaxed attitude towards some emerging markets with a $250m short-dated offering.

The bond, which coincided with a $200m add-on by the Republic of the Philippines to its 20-year benchmark, was priced at 305 basis points over the Treasury benchmark. It tightened by a couple of basis points after pricing. An official at Chase Manhattan, sole lead, said the proceeds were used as an indirect way of re-financing a maturing issue.

**New international bond issues**

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Rabobank Nederland | 250 | 5.25(s) | 99.89R | Dec 2002 | 0.20R | +42(4½%Jan01) | Tokyo-Mitsubishi Intl |
| Bangko Sentral ng Pilipinas | 250 | 7.75#(f) | 99.816 | Feb 2001 | 0.625 | +305(Jan01) | Chase Manhattan Intl |
| Republic of Philippines(s) | 200 | 9.875# | 100.75R | Jan 2019 | 1.00R | +436(Aug28) | JPM/MSDW/Warburg DR |
| HFC Bank‡ | 50 | (b) | 100.00 | Aug 2000 | 0.073 | - | WestLB |
| **EUROS** | | | | | | | |
| Bilbao Vizcaya Intl(e) | 600 | 5.75(c) | 100.00 | undated | 2.00 | - | Bilbao Vizcaya/Salomon |
| Rallye SA(e) | 300 | 4.625(l) | 99.78R | Feb 2006 | 0.45R | +105(-OAT) | Merrill Lynch |
| BCP Finance Bank‡ | 300 | (d) | 99.827R | Feb 2002 | 0.125R | - | Warburg Dillon Read |
| Svenska Handelsbanken‡ | 250 | (f) | 99.99 | Aug 2000 | 0.05 | - | Deutsche Bank |
| UBS, Jersey Branch(g) | 75 | 14.00 | 100.00 | Aug 2000 | - | - | Warburg Dillon Read |
| **YEN** | | | | | | | |
| LB Baden-Wuerttemberg(h)★ | 11bn | 4.50#(j) | 99.96 | Mar 2000 | 1.60 | - | Nomura International |
| **GREEK DRACHMA** | | | | | | | |
| Bank Austria | 10bn | 6.25 | 99.75R | Feb 2002 | 0.1875R | - | WestLB |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $500m. Plus 31 days accrued. b) 3-mth Libor +7bp. c) €500m launched on Friday was increased to €1bn. Preference shares of €50. Callable from Mar 04 at €50. d) 3-mth Euribor +15bp. e) Spread relates to French govt bonds. f) 3-mth Euribor flat. Short 1st & short last coupons. g) Issuer may redeem at par or 8.2713 Nokia shares per €1,000 bond. h) Redeemed in US$ if S/Y falls below reference rate. i) Over interpolated yield. l) Long 1st coupon. q) Quarterly coupons. s) Short 1st coupon.

NEWS DIGEST

SAN FRANCISCO

## Pacific Exchange chief quits after merger fails

Warren Langley is resigning from his post as president and chief operating officer of the San Francisco-based Pacific Exchange, which saw plans for a merger with the Chicago Board Options Exchange collapse earlier this year.

Exchange officials said Mr Langley's departure was only "indirectly" related to the collapse of the merger plan, which would have united the largest options exchange with the third biggest player in the US. The Chicago exchange unilaterally called off the merger last month, attributing its decision to Justice Department queries over possible competition issues. It also cited potential delays, although Pacific Exchange said it believed the transaction could have been completed close to schedule.

Mr Langley, 56, who joined the Pacific Exchange staff in 1996, had stayed on in anticipation of the merger and had been integrally involved in the negotiations, the exchange said. In the wake of the deal's collapse, he had decided to step down for personal reasons. "It's time for me to pursue other projects and interests," Mr Langley said in a statement. Exchange officials said his resignation did not reflect any dispute over the exchange's future strategy. His replacement has not been named.

Many observers believe the collapse of the CBOE deal has left the Pacific Exchange – a medium-size player trading around 2,700 stocks and bonds, and options on about 800 stocks including Microsoft – in a difficult position, as computer-based technology "globalises" trading and new competitors emerge. Nikki Tait, Chicago

CREDIT RATING

## Moody's warning on France

France's rigid labour market and an increasingly onerous social security burden threaten to undermine its Aaa credit rating, Moody's Investors Service, the rating agency, warned yesterday in its annual report on the country.

France has one of the highest levels of unemployment in the eurozone – 11.8 per cent last year and forecast to fall to 11.6 per cent this year – which Moody's says are due to labour market anomalies which, if unaddressed, could impair competitiveness. Moody's identifies generous minimum wages and the high cost of firing workers.

The agency points to particular weaknesses arising from the welfare burden, and urges reform of taxation, pensions and healthcare to avoid severe long-term fiscal and budgetary pressures. France has one of the highest healthcare/pension spending ratios relative to gross domestic product among industrialised countries.

Moody's says with public spending totalling 54 per cent of GDP, further cuts in the tax burden will need to be accompanied by more fundamental moves to curtail expenditure. Real growth this year is forecast to weaken to 2.5 per cent while government deficit will ease to 2.3 per cent of GDP. Khozem Merchant

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| Feb 8 | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 01/01 | 6.750 | 107.0429 | 4.86 | +0.01 | +0.16 | +0.17 | -0.27 |
| | 08/08 | 8.750 | 125.7867 | 5.27 | +0.01 | +0.22 | +0.14 | -0.70 |
| Austria | 07/00 | 5.875 | 103.8400 | 3.06 | +0.02 | +0.03 | -0.06 | -1.07 |
| | 01/08 | 5.000 | 107.2800 | 4.01 | +0.05 | +0.14 | +0.12 | -1.19 |
| Belgium | 01/00 | 4.000 | 100.8800 | 3.06 | +0.07 | +0.10 | +0.01 | -1.00 |
| | 03/08 | 5.750 | 112.6200 | 4.04 | +0.08 | +0.15 | +0.08 | -1.12 |
| Canada | 12/00 | 5.000 | 103.1900 | 4.86 | -0.02 | +0.08 | +0.07 | -0.03 |
| | 06/08 | 6.000 | 108.9000 | 5.08 | -0.02 | +0.09 | +0.04 | -0.38 |
| Denmark | 11/00 | 8.000 | 106.1300 | 3.82 | +0.08 | +0.11 | -0.01 | -0.70 |
| | 11/07 | 7.000 | 120.5800 | 4.15 | +0.04 | +0.15 | +0.08 | -1.20 |
| Finland | 06/00 | 4.000 | 101.2740 | 3.01 | - | +0.07 | -0.08 | -0.70 |
| | 04/08 | 6.000 | 114.6880 | 4.02 | +0.06 | +0.17 | +0.12 | -1.13 |
| France | 07/00 | 4.000 | 101.3100 | 3.02 | +0.02 | +0.07 | -0.01 | -0.86 |
| | 10/05 | 7.750 | 124.5800 | 3.56 | +0.06 | +0.12 | +0.04 | -1.23 |
| | 10/08 | 8.500 | 136.5200 | 3.90 | +0.06 | +0.16 | +0.11 | -1.21 |
| | 04/29 | 5.500 | 111.3500 | 4.78 | +0.04 | +0.16 | +0.13 | -0.81 |
| Germany | 06/00 | 4.000 | 101.2800 | 2.99 | +0.03 | +0.03 | -0.02 | -0.86 |
| | 10/05 | 6.500 | 110.9800 | 3.65 | +0.06 | +0.13 | +0.08 | -1.16 |
| | 07/08 | 4.750 | 105.8700 | 3.88 | +0.06 | +0.14 | +0.08 | -1.22 |
| | 01/28 | 5.625 | 112.8700 | 4.78 | +0.06 | +0.14 | +0.12 | -0.90 |
| Greece | 03/00 | 8.900 | 99.8882 | 6.89 | - | -0.09 | -0.20 | -6.60 |
| | 03/08 | 8.600 | 116.8048 | 6.15 | +0.05 | +0.03 | -0.24 | -4.73 |
| Ireland | 10/01 | 6.000 | 105.4600 | 3.15 | +0.05 | +0.07 | +0.01 | -1.84 |
| | 08/08 | 8.000 | 115.2700 | 4.03 | +0.05 | +0.15 | +0.10 | -1.22 |
| Italy | 04/01 | 4.500 | 102.9000 | 3.09 | +0.03 | +0.09 | -0.03 | -1.89 |
| | 07/03 | 4.000 | 104.3700 | 3.42 | +0.04 | +0.12 | +0.06 | -1.65 |
| | 05/08 | 5.000 | 107.3900 | 4.03 | +0.05 | +0.13 | +0.14 | -1.37 |
| | 11/27 | 6.500 | 123.9400 | 4.93 | +0.04 | +0.12 | +0.12 | -0.99 |
| Japan | 12/00 | 6.800 | 111.5180 | 0.61 | -0.05 | -0.04 | -0.08 | -0.34 |
| | 12/03 | 4.100 | 112.3370 | 1.46 | -0.13 | +0.02 | +0.13 | +0.08 |
| | 06/08 | 1.800 | 97.1500 | 2.14 | -0.18 | +0.12 | +0.33 | +0.31 |
| | 03/18 | 2.700 | 95.0300 | 2.97 | -0.18 | +0.16 | +0.41 | +0.32 |
| Netherlands | 05/00 | 9.000 | 107.2200 | 3.01 | - | +0.06 | -0.04 | -0.97 |
| | 07/08 | 5.250 | 110.0700 | 3.95 | +0.07 | +0.15 | +0.06 | -1.06 |
| New Zealand | 02/01 | 8.000 | 105.4628 | 5.06 | +0.03 | +0.15 | -0.08 | -2.39 |
| | 07/09 | 7.000 | 110.2745 | 5.59 | +0.01 | +0.28 | +0.12 | -1.06 |
| Norway | 05/01 | 7.000 | [illegible] | 4.81 | -0.05 | +0.08 | -0.53 | +0.84 |
| | 01/07 | 6.750 | 113.1000 | 4.73 | -0.03 | +0.08 | -0.34 | -0.80 |
| Portugal | 03/00 | 5.375 | 102.4500 | 3.06 | +0.04 | +0.11 | -0.07 | -1.34 |
| | 06/08 | 5.375 | 110.3300 | 4.02 | +0.04 | +0.11 | +0.09 | -1.33 |
| Spain | 04/00 | 6.750 | 104.2200 | 2.99 | -0.01 | +0.08 | -0.08 | -1.36 |
| | 01/08 | 6.000 | 114.7900 | 4.00 | +0.05 | +0.13 | +0.07 | -1.31 |
| Sweden | 05/00 | 10.250 | 108.1398 | 3.32 | - | +0.05 | -0.08 | -1.48 |
| | 05/08 | 6.500 | 117.7010 | 4.15 | +0.04 | +0.19 | +0.12 | -1.82 |
| Switzerland | 06/00 | 4.500 | 103.9800 | 1.42 | -0.02 | +0.04 | -0.01 | -0.09 |
| | 01/08 | 4.250 | 114.9500 | 2.37 | +0.04 | +0.11 | +0.05 | -0.55 |
| UK | 11/01 | 7.000 | 106.0200 | 4.83 | +0.04 | +0.06 | +0.04 | -1.92 |
| | 12/03 | 6.500 | 108.2800 | 4.35 | +0.08 | +0.16 | +0.11 | -1.81 |
| | 10/08 | 9.000 | 136.1200 | 4.38 | +0.08 | +0.20 | +0.12 | -1.72 |
| | 12/28 | 6.000 | 128.0100 | 4.32 | +0.03 | +0.12 | +0.04 | -1.76 |
| US | 08/00 | 4.500 | 99.5172 | 4.81 | -0.05 | +0.09 | +0.06 | -0.60 |
| | 08/03 | 5.250 | 101.5191 | 4.87 | -0.04 | +0.18 | +0.07 | -0.74 |
| | 05/08 | 5.625 | 104.4961 | 5.01 | -0.03 | +0.17 | +0.08 | -0.80 |
| | 08/28 | 5.500 | 101.1713 | 5.42 | - | +0.15 | +0.05 | -0.53 |

London closing. * New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

### 10 YEAR BENCHMARK SPREADS

| Feb 8 | Bid Yield | Spread vs Euros | Spread vs T-Bonds |
|---|---|---|---|
| Australia | 5.28 | +1.44 | +0.36 |
| Austria | 4.13 | +0.29 | -0.79 |
| Belgium | 4.02 | +0.18 | -0.90 |
| Canada | 5.06 | +1.22 | +0.14 |
| Denmark | 4.15 | +0.31 | -0.77 |
| Finland | 4.04 | +0.20 | -0.88 |
| France | 3.91 | +0.07 | -1.01 |
| Germany | 3.84 | - | -1.08 |
| Greece | 6.08 | +2.24 | +1.16 |
| Ireland | 4.06 | +0.22 | -0.86 |
| Italy | 4.03 | +0.19 | -0.89 |
| Japan | 2.17 | -1.67 | -2.75 |
| Netherlands | 3.98 | +0.14 | -0.94 |
| New Zealand | 5.70 | +1.86 | +0.78 |
| Norway | 4.76 | +0.92 | -0.16 |
| Portugal | 4.08 | +0.24 | -0.84 |
| Spain | 4.10 | +0.26 | -0.82 |
| Sweden | 4.18 | +0.34 | -0.74 |
| Switzerland | 2.41 | -1.43 | -2.51 |
| UK | 4.35 | +0.51 | -0.57 |
| US | 4.92 | +1.08 | - |

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

### EMERGING MARKET BONDS

| Feb 8 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd vs US |
|---|---|---|---|---|---|---|---|---|
| **EUROPE** | | | | | | | | |
| Croatia | 02/02 | 7.000 | BBB- | 93.7149 | 9.42 | +0.05 | +0.42 | +4.63 |
| Poland | 07/04 | 7.125 | BBB- | 105.0034 | 6.00 | +0.05 | +0.10 | +1.16 |
| Russia | 06/07 | 10.000 | n/a | 27.8500 | 40.73 | +0.13 | +0.55 | +35.84 |
| **LATIN AMERICA** | | | | | | | | |
| Argentina | 09/27 | 9.750 | BB | 83.0068 | 11.83 | +0.11 | +1.03 | +6.55 |
| Brazil | 05/27 | 10.125 | B+ | 63.1471 | 16.14 | +0.20 | +0.93 | +10.86 |
| Mexico | 05/26 | 11.500 | BB | 103.5000 | 11.09 | +0.12 | +0.74 | +5.83 |
| **ASIA** | | | | | | | | |
| China | 07/06 | 7.750 | BBB+ | 99.9853 | 7.74 | +0.08 | +0.71 | +2.87 |
| Philippines | 10/16 | 8.750 | BB+ | 92.9745 | 9.58 | +0.08 | +0.76 | +4.52 |
| Thailand | 04/07 | 7.750 | BBB- | 98.1518 | 8.06 | +0.12 | +0.12 | +3.17 |
| **AFRICA/MIDDLE EAST** | | | | | | | | |
| Lebanon | 07/00 | 9.125 | BB- | 104.0000 | 6.14 | +0.12 | +0.21 | +1.40 |
| South Africa | 10/06 | 8.375 | BB+ | 95.2027 | 9.26 | - | -0.29 | +4.39 |
| Turkey | 09/07 | 10.000 | B | 88.3372 | 12.24 | +0.14 | +0.44 | +7.35 |
| **BRADY BONDS** | | | | | | | | |
| Argentina | 03/23 | 5.750 | BB | 68.5000 | 9.29 | +0.14 | +0.58 | +4.09 |
| Brazil | 04/14 | 5.000 | B+ | 55.1250 | 15.07 | +0.20 | +0.82 | +10.05 |
| Mexico | 12/19 | 6.250 | BB | 78.6250 | 8.82 | +0.08 | +0.41 | +3.70 |
| Venezuela | 03/20 | 6.750 | B+ | 63.3750 | 11.35 | +0.11 | +0.84 | +6.21 |

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

### BOND FUTURES AND OPTIONS

**France**

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 111.43 | 111.50 | -0.36 | 111.84 | 111.10 | 24,996 | 66,918 |

LONG TERM EURO BOND OPTIONS (MATIF)

| Strike Price | Calls Feb | Calls Mar | Puts Feb | Puts Mar |
|---|---|---|---|---|
| 110 | 1.05 | - | 0.13 | - |
| 111 | 0.65 | - | 0.36 | - |
| 112 | 0.33 | - | 0.83 | - |
| 113 | 0.09 | - | 1.59 | - |

Est. vol. total, Calls 1,880 Puts - . Previous day's open int., Calls 9,815 Puts 11,157.

**Germany**

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 116.38 | 115.69 | -0.61 | 116.53 | 115.53 | 357,846 | 522,711 |

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 109.22 | 108.97 | -0.23 | 109.26 | 108.87 | 163,491 | 178,146 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | | 101.77 | -0.19 | | | 0 | 1040 |

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | | 102.45 | -0.42 | | | 0 | 970 |

Also traded on APT. All Open interest figs. are for previous day.

**Italy**

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 114.31 | 113.88 | -0.43 | 114.31 | 113.49 | 16063 | 44706 |

**Spain**

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 117.40 | 117.00 | -0.46 | 117.40 | 116.70 | 19,980 | 26,522 |
| Jun | - | 117.82 | - | - | - | - | 1 |

**UK**

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | | 109.16 | -0.18 | | | 0 | 63 |
| Jun | | 108.95 | -1.50 | | | 0 | 0 |

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 118.66 | 118.30 | -0.68 | 118.72 | 117.90 | 42541 | 101214 |
| Jun | | 118.18 | -0.68 | | | 0 | 1796 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 11750 | 1.04 | 2.52 | 0.24 | 0.84 |
| 11800 | 0.69 | 2.20 | 0.39 | 1.02 |
| 11850 | 0.42 | 1.91 | 0.62 | 1.25 |
| 11900 | 0.24 | 1.64 | 0.94 | 1.46 |
| 11950 | 0.13 | 1.40 | 1.32 | 1.72 |
| 12000 | 0.07 | 1.18 | 1.77 | 2.00 |

Est. vol. total, Calls 3009 Puts 530. Previous day's open int., Calls 8170 Puts 7746

**US**

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 124-05 | 124-20 | +0-10 | 124-24 | 124-02 | 423,635 | 630,948 |
| Jun | 123-22 | 124-05 | +0-10 | 124-10 | 123-21 | 15,661 | 167,594 |
| Sep | 123-18 | - | - | - | - | 31 | 8,147 |

**Japan**

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 128.40 | 128.20 | | 128.45 | 128.08 | 2287 | na |
| Jun | 127.24 | 127.00 | | 127.27 | 126.96 | 775 | na |

**Euro**

€ BOND FUTURES (MATIF) €100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 110.20 | 110.55 | -0.45 | 110.38 | 110.20 | 8 | 194 |

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### US CORPORATE BONDS

| Feb 8 | Red date | Coupn | S & P Rating | Bid price | Bid yield | Day's chge yld | Mth's chge yld | Sprd v Govts |
|---|---|---|---|---|---|---|---|---|
| **UTILITIES** | | | | | | | | |
| Pac Bell | 07/02 | 7.25 | AA- | 105.7063 | 5.36 | +0.05 | +0.06 | +0.55 |
| NY Tel | 08/25 | 7.00 | A+ | 101.1520 | 6.90 | +0.08 | +0.06 | +1.60 |
| CWE | 08/08 | 8.00 | BBB | 114.6311 | 5.93 | +0.04 | +0.01 | +1.04 |
| **FINANCIALS** | | | | | | | | |
| GECC | 05/07 | 8.75 | AAA | 119.8880 | 5.73 | +0.05 | +0.12 | +0.84 |
| Banc One | 08/02 | 7.25 | A | 105.2088 | 5.56 | -0.20 | -0.04 | +0.58 |
| CNA Fin | 01/18 | 6.95 | A- | 96.7182 | 7.27 | -0.02 | -0.03 | +1.97 |
| **INDUSTRIALS** | | | | | | | | |
| WMX Tech | 04/08 | 6.25 | BBB+ | 100.0278 | 5.92 | -0.03 | +0.19 | +1.51 |
| Wal Mart | 08/02 | 6.75 | AA | 105.0682 | 5.04 | -0.02 | +0.01 | +0.04 |
| Dayton Hud | 08/21 | 9.70 | A- | 136.2677 | 6.57 | -0.06 | -0.12 | +1.27 |
| **AGENCIES** | | | | | | | | |
| FHLMC | 04/07 | 7.14 | N/A | 110.6782 | 5.51 | -0.09 | +0.17 | +0.62 |
| SLMA | 03/00 | 7.50 | N/A | 102.5451 | 5.08 | -0.03 | +0.04 | +0.66 |
| FNMA | 02/18 | 8.95 | N/A | 134.9266 | 5.87 | +0.07 | +0.13 | +0.57 |
| FFCB | 06/05 | 6.95 | N/A | 120.7341 | 5.47 | +0.05 | +0.16 | +0.56 |
| **HIGH YIELD** | | | | | | | | |
| Stone Cont | 02/01 | 9.88 | B | 101.7500 | 0.00 | - | - | - |
| AK Stl | 12/01 | 9.13 | BB- | 108.7500 | 0.00 | - | - | - |
| Pecalta | 06/04 | 10.73 | B- | 76.5000 | 0.00 | - | - | - |

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

### US INTEREST RATES

Latest

| | |
|---|---|
| Prime rate | 7¾ |
| Broker loan rate | 6¼ |
| Fed.funds | 4⅝ |
| Fed.funds at intervention | |

Treasury Bills and Bond Yields

| | | | |
|---|---|---|---|
| One month | - | Two year | 4.78 |
| Two month | - | Three year | 4.80 |
| Three month | 4.51 | Five year | 4.86 |
| Six month | 4.59 | 10-year | 4.94 |
| One year | 4.66 | 30-year | 5.32 |

### INTERNATIONAL BONDS

| Feb 8 | Red date | Coupon | S & P Rating | Bid price | Bid yld | Day's chge yld | Mth's chge yld | Spread v Govts |
|---|---|---|---|---|---|---|---|---|
| **US $** | | | | | | | | |
| EIB | 04/07 | 7.250 | AAA | 110.8804 | 5.59 | +0.07 | +0.11 | +0.67 |
| ABN Amro | 08/07 | 7.125 | AA- | 105.6451 | 6.23 | +0.01 | -0.16 | +1.34 |
| Quebec | 01/07 | 7.000 | A+ | 108.[illegible] | 5.64 | +0.01 | - | +1.05 |
| Citicorp FRN | 08/04 | 5.312 | AA- | 98.5598 | 5.64 | +0.01 | -0.03 | +0.60 |
| **DM** | | | | | | | | |
| Bayer L-Bk | 08/04 | 9.500 | AAA | 118.8475 | 5.49 | - | +0.08 | +0.39 |
| Toronto (M of) | 08/04 | 8.500 | AA+ | 113.9485 | 5.39 | -0.02 | -0.10 | +0.10 |
| Bell Canada | 07/99 | 10.625 | A+ | 102.0636 | 5.32 | - | +0.08 | +1.27 |
| Deutsche B FRN | 09/02 | 5.675 | AA+ | 101.0089 | 5.56 | - | +0.08 | +0.37 |
| **£** | | | | | | | | |
| EIB | 12/07 | 7.625 | AAA | 118.5708 | 4.97 | +0.05 | +0.05 | +0.50 |
| Dresdner Bk | 12/07 | 7.750 | AA- | 112.7083 | 5.86 | +0.08 | - | +1.39 |
| British Gas | 03/00 | 7.625 | A+ | 102.0144 | 5.72 | +0.04 | -0.08 | +0.75 |
| Abbey Nat FRN | 02/02 | 7.136 | AA | 99.9845 | 4.26 | +0.02 | -0.08 | -0.32 |
| **SFR** | | | | | | | | |
| EIB | 01/06 | 3.750 | AAA | 103.3574 | 3.31 | +0.01 | -0.02 | +0.97 |
| Brit Columbia | 02/02 | 3.250 | AA | 103.6332 | 1.93 | - | -0.04 | +0.28 |
| Hydro-Quebec | 05/01 | 8.750 | n/a | 109.1102 | 2.57 | -0.01 | -0.01 | +1.08 |
| Gen Elect. | 09/01 | 1.711 | n/a | 99.5561 | 1.82 | -0.01 | -0.02 | +0.01 |
| **YEN** | | | | | | | | |
| IBRD (World Bk) | 03/02 | 5.250 | AAA | 113.5412 | 0.82 | -0.07 | +0.07 | -0.16 |
| Spain (Kingdom) | 03/02 | 5.750 | AA | 114.6710 | 0.89 | -0.07 | +0.08 | -0.08 |
| Cred Foncier | 08/02 | 4.750 | A | 111.2298 | 1.43 | -0.07 | +0.03 | +0.45 |
| Italy (Rep of) | 07/99 | 0.816 | AA | 100.0411 | 0.40 | +0.05 | +0.04 | +0.02 |
| **A$** | | | | | | | | |
| IBRD (World Bk) | 02/08 | 6.000 | AAA | 102.2502 | 5.67 | +0.02 | +0.17 | +0.40 |
| Nw Sth Wales Tr | [illegible] | 6.500 | n/a | 104.7806 | 5.88 | +0.01 | +0.13 | +0.51 |
| S. Aus Gov Fin | 06/03 | 7.750 | AA | 107.6345 | 5.72 | +0.01 | +0.16 | +0.74 |
| GMAC Aust | 05/01 | 9.000 | n/a | 106.9990 | 5.62 | +0.01 | +0.14 | +0.74 |

London closing. Standard & Poor's ratings. Yields: Local market standard/annualised basis. Source: Interactive Data/FT Information.

## UK BONDS

### FTSE Actuaries Government Securities — UK Indices

| Price Indices UK Gilts | Mon Feb 8 | Day's chge % | Accrued interest | xd adj ytd | Total Return | Duration Years | Duration Yield | % Weight |
|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (16) | 122.46 | -0.11 | 2.38 | 0.64 | 1205.62 | 2.37 | 4.36 | 34.06 |
| 2 5-10 years (11) | 172.48 | -0.47 | 2.38 | 0.68 | 1341.72 | 5.86 | 4.44 | 29.31 |
| 3 10-15 years (7) | 186.72 | -0.54 | 1.70 | 1.34 | 1462.63 | 8.72 | 4.48 | 13.47 |
| 4 5-15 years (18) | 176.61 | -0.49 | 2.18 | 0.87 | 1376.37 | 6.81 | 4.45 | 42.78 |
| 5 Over 15 years (4) | 234.25 | -0.48 | 2.90 | 0.00 | 1592.51 | 11.75 | 4.45 | 22.38 |
| 6 Irredeemables (4) | 327.82 | -0.90 | 2.70 | 1.07 | 1906.68 | [illegible] | 4.69 | 0.78 |
| 7 All stocks (42) | 157.63 | -0.38 | 2.47 | 0.66 | 1360.89 | 6.93 | 4.47 | 100.00 |

| Index-linked | Mon Feb 8 | Day's chge % | Accrued interest | xd adj ytd | Total Return | % Weight |
|---|---|---|---|---|---|---|
| 1 Up to 5 years (2) | 228.72 | -0.09 | 1.67 | 0.00 | 1177.35 | 14.99 |
| 2 Over 5 years (9) | 260.13 | -0.23 | 0.99 | 1.77 | 1410.92 | 85.01 |
| 3 5-15 years (5) | 243.23 | -0.17 | 1.13 | 1.31 | 1312.85 | 42.79 |
| 4 Over 15 years (4) | 275.64 | -0.30 | 0.82 | 2.29 | 1501.48 | 42.21 |
| 5 All stocks (11) | 253.94 | -0.21 | 1.10 | 1.49 | 1377.91 | 100.00 |

| Yield Indices | Feb 8 | Feb 5 | Yr ago |
|---|---|---|---|
| 5 yrs | 4.46 | 4.39 | 6.27 |
| 10 yrs | 4.44 | 4.36 | 6.13 |
| 15 yrs | 4.48 | 4.40 | 6.11 |
| 20 yrs | 4.47 | 4.42 | 6.11 |
| Irred † | 4.69 | 4.56 | 6.22 |
| Med. 15 yrs | 4.47 | 4.41 | 6.12 |
| High 15 yrs | 4.69 | 4.65 | 6.22 |

Coupon Bands: Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

| Real yield | Inflation 0% Feb 8 | Dur yrs | Feb 5 | Yr ago | Inflation 5% Feb 8 | Dur yrs | Feb 5 | Yr ago |
|---|---|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.01 | 3.33 | 2.98 | 3.61 | 2.24 | 3.35 | 2.21 | 2.84 |
| Over 5 yrs | 2.06 | 13.25 | 2.04 | 3.26 | 1.86 | 13.35 | 1.84 | 3.05 |
| 5-15 yrs | 2.11 | 9.82 | 2.09 | 3.39 | 1.85 | 9.87 | 1.83 | 3.02 |
| Over 15 yrs | 2.02 | 16.88 | 2.01 | 3.22 | 1.87 | 16.98 | 1.85 | 3.08 |
| All stocks | 2.10 | 11.59 | 2.08 | 3.26 | 1.88 | 11.61 | 1.86 | 3.04 |

FT Fixed Interest Indices

| | Feb 8 | Feb 5 | Feb 4 | Feb 3 | Feb 2 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 115.43 | 115.86 | 115.78 | 116.29 | 116.78 | 102.84 | 117.17 | 93.31 |
| Fixed interest | 157.7 | 158.11 | 157.93 | 158.37 | 157.86 | 137.69 | 158.45 | 115.32 |

© FTSE International Ltd 1999. All rights reserved. * for 1998/99. Government Securities high since compilation: 127.40 (1/9/35), low 49.18 (1/3/75). Fixed Interest high since compilation: 158.45 (22/01/99), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

## UK GILTS PRICES

| | Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| **Shorts* (Lives up to Five Years)** | | | | | | | |
| Treas 9½pc 1999 | | 9.50 | 5.51 | 100.0000 | — | 102.27 | 100.00 |
| Treas Flg Rate 1999 | | - | - | 100.0507 | +.0032 | 100.23 | 100.02 |
| Exch 12¼pc 1999 | | 12.15 | 5.32 | 100.8285 | -.0180 | 105.66 | 100.83 |
| Treas 10½pc 1999 | | 10.35 | 5.19 | 101.4084 | -.0102 | 104.46 | 101.41 |
| Treas 6pc 1999 | | 5.97 | 5.05 | 100.4820xd | -.0041 | 100.47 | 98.64 |
| Conv 10¼pc 1999 | | 9.86 | 4.97 | 103.9944 | -.0077 | 105.91 | 103.62 |
| Treas 8½pc 2000 | ✣ | 8.23 | 4.87 | 103.3193 | -.0092 | 103.54 | 101.81 |
| Conv 9pc 2000 | | 8.64 | 4.95 | 104.1353 | -.0092 | 104.66 | 102.66 |
| Treas 13pc 2000 | | 11.70 | 4.87 | 111.1010 | -.0369 | 114.16 | 110.56 |
| Treas 8pc 2000 | | 7.58 | 4.77 | 105.5560 | -.0394 | 105.84 | 102.22 |
| Treas Flg Rate 2001 | | - | - | 100.8027 | +.0047 | 100.82 | 100.17 |
| Treas 10pc 2001 | | 9.09 | 4.82 | 109.9903 | -.0629 | 110.37 | 107.11 |
| Conv 9½pc 2001 | ✣ | 8.69 | 4.84 | 110.5923 | -.0628 | 110.89 | 106.73 |
| Conv 9¾pc 2001 | ✣ | 8.74 | 4.85 | 111.5113xd | -.0629 | 111.80 | 107.56 |
| Treas 7pc 2001 | | 6.60 | 4.84 | 106.0931 | -.1307 | 106.51 | 100.71 |
| Exch 12pc 1999-2 | ✣ | 12.00 | 4.52 | 100.0000 | — | 104.48 | 100.00 |
| Conv 10pc 2002 | ✣ | 8.65 | 4.62 | 115.6102 | -.2305 | 116.41 | 110.66 |
| Treas 7pc 2002 | | 6.51 | 4.53 | 107.5449 | -.1922 | 108.13 | 101.42 |
| Conv 9½pc 2002 | ✣ | 8.27 | 4.63 | 114.6922 | -.2205 | 115.64 | 109.76 |
| Treas 9¾pc 2002 | | 8.36 | 4.63 | 116.5792 | -.2305 | 117.29 | 111.19 |
| Exch 9pc 2002 | ✣ | 7.83 | 4.65 | 114.9722 | -.2305 | 115.62 | 108.87 |
| Conv 9¾pc 2003 | ✣ | 8.15 | 4.64 | 119.5812 | -.2305 | 120.19 | 112.79 |
| Treas 8pc 2003 | | 7.08 | 4.45 | 113.8605 | -.2980 | 114.74 | 106.58 |
| Treas 10pc 2003 | | 8.16 | 4.50 | 122.4941 | -.3335 | 122.52 | 115.44 |
| Treas 13¾pc 2000-3 | ✣ | 12.23 | 4.83 | 112.3900 | -.0968 | 116.00 | 112.14 |
| **Five to Fifteen Years** | | | | | | | |
| Treas 6½pc 2003 | | 5.95 | 4.34 | 109.2933 | -.3286 | 110.21 | 100.86 |
| Treas 11¾pc 2001-4 | | 10.17 | 4.56 | 113.0876 | -.0670 | 113.98 | 110.90 |
| Treas 10pc 2004 | ✣ | 7.96 | 4.51 | 125.6371 | -.3336 | 126.55 | 117.36 |
| Funding 3½pc 1999-4 | | 3.60 | 4.10 | 97.2180 | -.2167 | 98.98 | 91.16 |
| Conv 9½pc 2004 | | 7.59 | 4.48 | 125.1351 | -.4592 | 125.43 | 116.53 |
| Treas 6¾pc 2004 | | 6.02 | 4.35 | 112.1462 | -.4409 | 113.28 | 102.82 |
| Conv 9½pc 2005 | | 7.50 | 4.51 | 126.6683 | -.5212 | 128.16 | 117.84 |
| Exch 10½pc 2005 | ✣ | 7.83 | 4.51 | 134.0953 | -.5212 | 135.48 | 124.50 |
| Treas 12½pc 2003-5 | | 9.32 | 4.32 | 134.1401 | -.3336 | 136.55 | 127.40 |
| Treas 8½pc 2005 | | 6.87 | 4.44 | 123.8674 | -.5772 | 125.31 | 113.85 |
| Conv 9¾pc 2006 | ✣ | 7.28 | 4.51 | 133.9273 | -.6882 | 136.21 | 123.61 |
| Treas 7¾pc 2006 | | 6.43 | 4.51 | 120.6924 | -.6104 | 122.40 | 109.96 |
| Treas 8pc 2002-6 | | 7.21 | 4.68 | 110.9822 | -.2251 | 111.73 | 104.96 |
| Treas 7½pc 2006 | | 6.26 | 4.46 | 119.7679 | -.6238 | 121.62 | 108.63 |
| Treas 11¾pc 2003-7 | ✣ | 9.36 | 4.11 | 125.5402 | -.2305 | 128.29 | 119.81 |
| Treas 8½pc 2007 | | 6.66 | 4.51 | 127.7159 | -.6862 | 129.66 | 116.17 |
| Treas 7¼pc 2007 | | 6.03 | 4.44 | 120.2940 | -.6913 | 122.58 | 108.19 |
| Treas 13½pc 2004-8 | ✣ | 9.57 | 4.41 | 141.0461 | -.4592 | 142.61 | 133.46 |
| Treas 9pc 2008 | | 6.61 | 4.37 | 136.1937 | -.7594 | 138.52 | 122.15 |
| Treas 8pc 2009 | | 6.14 | 4.40 | 130.3027 | -.7944 | 132.91 | 116.29 |
| Treas 5¾pc 2009 | | 5.12 | 4.31 | 112.3405 | -.7066 | 114.67 | 99.36 |
| Treas 6¼pc 2010 | | 5.38 | 4.43 | 116.5510 | -.6656 | 118.70 | 100.98 |
| Conv 9pc Ln 2011 | | 6.31 | 4.48 | 142.6887 | -.7491 | 145.31 | 125.73 |
| Treas 9pc 2012 | | 6.21 | 4.51 | 144.9498 | -.7868 | 147.74 | 126.84 |
| Treas 5½pc 2008-12 | | 4.99 | 4.18 | 110.2764 | -.6787 | 112.38 | 95.19 |
| Treas 8pc 2013 | | 5.84 | 4.52 | 136.9680 | -.7588 | 138.64 | 118.21 |
| Treas 7¾pc 2012-15 | | 5.91 | 4.55 | 131.0987 | -.6688 | 133.56 | 114.46 |
| **Over Fifteen Years** | | | | | | | |
| Treas 8pc 2015 | | 5.66 | 4.48 | 141.3319 | -.7202 | 144.12 | 120.57 |
| Treas 8¾pc 2017 | | 5.72 | 4.51 | 152.8186 | -.7724 | 156.06 | 128.73 |
| Exch 12pc 2013-17 | ✣ | 6.60 | 4.48 | 181.7387 | -.7491 | 183.80 | 158.64 |
| Treas 8pc 2021 | | 5.34 | 4.45 | 149.9323 | -.7639 | 153.21 | 124.88 |
| Treas 6pc 2028 | | 4.68 | 4.31 | 128.2187 | -.6285 | 131.17 | 100.85 |
| **Undated** | | | | | | | |
| Consols 4pc | | 4.74 | - | 84.3000 | -.9299 | 87.19 | 62.22 |
| War Loan 3½pc | | 4.58 | - | 76.8350 | -.8072 | 79.83 | 56.88 |
| Conv 3½pc '61 Aft. | | 3.94 | - | 88.8350 | -.8072 | 95.66 | 73.81 |
| Treas 3pc '66 Aft. | | 4.99 | - | 60.1000 | -.1516 | 61.93 | 45.18 |
| Consols 2½pc | | 4.54 | - | 55.1000 | -.1416 | 58.93 | 40.18 |
| Treas. 2½pc | | 4.62 | - | 54.1633 | -.2317 | 55.17 | 39.60 |

| Index-Linked (b) | Notes | Yield (1) | Yield (2) | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| 2½pc '99 | ✣ | 1.85 | 3.21 | 198.6184 | -.1589 | 198.18 | 189.58 |
| 2½pc '01 | (78.3) | 2.57 | 2.98 | 204.1484 | -.1586 | 205.40 | 198.69 |
| 2½pc '03 | (78.8) | 2.07 | 2.32 | 207.0032 | -.2501 | 207.63 | 193.94 |
| 4⅜pc '04 | (135.6) | 1.84 | 2.04 | 134.2186 | -.1745 | 134.39 | 125.16 |
| 2pc '06 | (69.5) | 1.68 | 1.82 | 235.7893 | -.2583 | 236.65 | 208.17 |
| 2½pc '09 | (78.8) | 1.80 | 1.82 | 216.4947 | -.3439 | 216.83 | 188.79 |
| 2½pc '11 | (74.6) | 1.87 | 1.87 | 229.7169 | -.4484 | 230.17 | 197.39 |
| 2½pc '13 | (89.2) | 1.90 | 1.98 | 193.1641xd | -.4321 | 193.59 | 163.75 |
| 2½pc '16 | (81.6) | 1.86 | 1.96 | 213.9361 | -.5533 | 214.40 | 176.67 |
| 2½pc '20 | (83.0) | 1.89 | 1.96 | 213.3137 | -.6143 | 213.93 | 171.89 |
| 2½pc '24 | (97.7) | 1.85 | 1.91 | 185.3167 | -.8483 | 185.87 | 144.27 |
| 4⅛pc '30 | (135.1) | 1.80 | 1.91 | 184.0599 | -.6910 | 184.75 | 142.14 |

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for May 1998: 163.5 and for December 1998: 164.4.

### Other Fixed Interest

| | Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| Asian Dev 10¼pc 2009 | | 7.29 | 5.08 | 140[illegible] | — | 140[illegible] | 128[illegible] |
| B'ham 11½pc 2012 | | 7.24 | 5.48 | 158¾ | — | 158¾ | 142½ |
| Leeds 13½pc 2006 | | 9.00 | - | 150 | — | 152 | 141½ |
| Liverpool 3½pc Irred. | | 5.26 | - | 66½ | — | 68½ | 51 |
| LCC 3pc '20 Aft. | | 5.77 | - | 52xd | — | 58 | 45 |
| Manchester 11½pc 2007 | | 7.85 | 4.59 | 150½ | — | 150¾ | 135½ |
| Met. Wtr. 3pc 'B' | | 3.22 | 4.90 | 93½xd | — | 95 | 85 |
| N'wide Anglia 3⅞pc IL 2021 | | - | 3.20 | 186[illegible] | — | 187¾ | 172¼ |
| 4⅛pc IL 2024 | | - | 3.15 | 180[illegible]xd | — | 187½ | 158½ |

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ✣ Indicative price.

TUESDAY FEBRUARY 9 1999

NEWS DIGEST

Exchange chief ... after merger fails

Moody's warning on France

INTERNATIONAL BONDS





# Euro woes continue against the dollar

**MARKETS REPORT**

By Christopher Adams and Richard Adams

The euro sank further against the dollar yesterday as currency markets backed the strength of the US economy. Output in the euro-zone is expected to be sluggish by contrast.

The euro fell from $1.129 to $1.125 versus the dollar in London trading hours, before recovering later.

Fears that combined economic growth in the euro-zone would fail to keep pace with the robust US economy helped push the fledgling currency lower. At one point, it touched a record low of $1.122.

Further evidence of weakness in the German economy contributed to the slide. The latest data showed German industrial output was flat in December, following a 2.1 per cent fall in the previous month.

Comments by European central bankers did little to dispel the gloom.

Hans Tietmeyer, president of Germany's Bundesbank, said the euro's recent fall should not be over-interpreted. "In today's foreign exchange markets, temporary technical changes, new information or estimates from one part of the world can prompt investors to reconsider their expectations," he said in an interview with Welt am Sonntag, the German newspaper.

The pound ended unchanged at £0.689 versus the euro, held back by poor UK manufacturing data.

■ Strategists at Morgan Stanley Dean Witter, the investment bank, argue that the Euro is looking much less well supported than it did a year ago. Strong growth in the US and its high interest rates are positive for the dollar.

"The January labour market surveys leave little doubt that America's latest growth spurt is for real," says Stephen Roach, the investment bank's chief economist. "For a third month in a row, non-farm payrolls have expanded well in excess of consensus expectations."

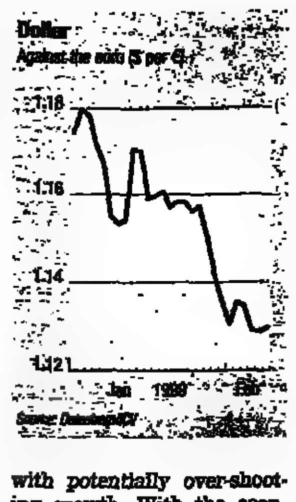
*Mr Roach says the recent labour market data have two implications.*

*First, in conjunction with* reports on manufacturing activity and consumer spending, there is good reason to believe that there will be significant spillover from the "outsized" 5.6 per cent real increase in gross domestic product in the fourth quarter.

Second, the Federal Reserve cannot afford to ignore the risk associated with potentially over-shooting growth. With the economy showing no sign of slowing back to a stable growth rate, inflation becomes a legitimate cause for concern.

■ POUND IN NEW YORK

| Feb 8 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.6380 | 1.6320 |
| 1 mth | 1.6373 | 1.6312 |
| 3 mth | 1.6363 | 1.6300 |
| 1 yr | 1.6377 | 1.6316 |



Source: Datastream/ICV

■ The New Zealand dollar surged on foreign exchanges after the country's central bank announced it was finally to drop its ill-fated monetary conditions index as a monetary policy target.

The Reserve Bank said it would introduce a conventional cash interest rate on March 17 to replace the erratic index – which used a mix of a trade-weighted currency index and the 90-day New Zealand bank bill rate.

The rate will be reviewed every six weeks from its initial setting, but the Reserve Bank retains the ability to change the new cash rate when necessary.

The New Zealand dollar strengthened against the US and Australian currencies when the shift was announced as traders hurried to unwind positions taken based on the index.

Currency traders had shorted the New Zealand dollar because the monetary conditions index had been persistently tighter than the Reserve Bank's target level.

The latest index level was minus 104, compared with the minus 400 level the Reserve Bank called "appropriate" in its last statement.

Some analysts predicted that the hawkish New Zealand central bank would set a higher official base interest rate than that implied by bank bills and the money market of around 3 per cent.

"It is quite likely that the first cash rate will be set above the current 90-day bill yield of 4.25 per cent, perhaps as high as 5 per cent," said ABN Amro's research team in London.

The New Zealand dollar reacted by reaching its strongest level since April 1998, to be worth a touch below 56 US cents.

■ OTHER CURRENCIES

| Feb 8 | £ | $ |
|---|---|---|
| Czech Rep | 55.0620 - 55.1954 | 33.7290 - 33.8000 |
| Hungary | 360.846 - 361.088 | 221.040 - 221.120 |
| Iran | 4889.00 - 4897.00 | 3000.00 - 3000.00 |
| Kuwait | 0.4942 - 0.4948 | 0.3026 - 0.3029 |
| Peru | 5.5309 - 5.5358 | 3.3880 - 3.3900 |
| Poland | 6.1072 - 6.1221 | 3.7410 - 3.7490 |
| Russia | 37.8067 - 38.0469 | 23.1600 - 23.3000 |
| U.A.E. | 5.9964 - 6.0002 | 3.6725 - 3.6731 |

## WORLD INTEREST RATES

### MONEY RATES

| Feb 8 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Euro-zone | 3¼ | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | 3.00 | 3.00 |
| Switzerland | 1¼ | 1⅛ | 1¼ | 1¼ | 1½ | - | 1.00 | - |
| US | 4⅝ | 4⅞ | 4⅞ | 4⅞ | 5⅛ | - | 4.50 | - |
| Japan | ¼ | ⅛ | ⅛ | ⅛ | ⅛ | - | 0.50 | - |
| ■ $ LIBOR BBA London | | | | | | | | |
| Interbank Fixing | - | 4⅞ | 4⅞ | 5 | 5⅛ | - | - | - |
| US Dollar CDs | - | 4.74 | 4.79 | 4.82 | 4.91 | - | - | - |
| Euro Linked Ds | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| SDR Linked Ds | - | 3⅝ | 3⅝ | 3⅝ | 3½ | - | - | - |
| BBA Euro Libor | - | 3⅛ | 3⅛ | 3⅛ | 3⅛ | - | - | - |
| Euro Euribor | - | 3.158 | 3.113 | 3.053 | 3.036 | - | - | - |
| EONIA | 3.15 | - | - | - | - | - | - | - |
| EURONIA | 3.3673 | - | - | - | - | - | - | - |

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. [illegible] US$ CDs, Euro & SDR Linked Deposits (Ds).

### INTERNATIONAL CURRENCY RATES

| Feb 8 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Euro | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 3⅛ | 3⅛ - 2⅞ | 3⅛ - 2⅞ |
| Danish Krone | 3⅛ - 3⅛ | 3⅞ - 3⅛ | [illegible] | 3⅞ - 3⅞ | 3⅞ - 3⅞ | 3⅞ - 3⅛ |
| Sterling | 5⅛ - 5⅛ | [illegible] | 5⅝ - 5⅝ | 5⅝ - 5⅝ | 5⅝ - 5⅜ | 5⅝ - 5⅛ |
| Swiss Franc | 1⅜ - 1⅛ | 1⅛ - 1⅛ | 1⅛ - 1⅛ | 1⅛ - 1⅛ | 1⅜ - 1⅛ | 1⅛ - 1⅛ |
| Canadian Dollar | 5⅛ - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 4⅞ | 5 - 4⅞ | 5⅛ - 4⅞ |
| US Dollar | 4⅝ - 4⅝ | 4⅞ - 4⅝ | 4⅞ - 4⅞ | 5 - 4⅞ | 5⅛ - 4⅞ | 5⅛ - 5⅛ |
| Japanese Yen | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ | ⅛ - ⅛ |
| Asian $Sing | ⅛ - ⅛ | 2⅛ - 1⅞ | 1⅞ - 1⅞ | 1⅞ - 1⅞ | 2⅛ - 2 | 2⅛ - 2⅛ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.94 | 96.955 | -0.015 | 96.94 | 96.93 | 9,507 | 32,759 |
| Jun | 97.04 | 97.070 | -0.005 | 97.06 | 97.04 | 9,836 | 20,303 |

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.950 | 96.940 | -0.020 | 96.950 | 96.930 | 23270 | 112632 |
| Jun | 97.065 | 97.050 | -0.025 | 97.070 | 97.030 | 31291 | 103501 |
| Sep | 97.110 | 97.090 | -0.030 | 97.110 | 97.075 | 24321 | 59743 |
| Dec | 96.825 | 96.845 | -0.025 | 96.860 | 96.825 | 7606 | 64968 |

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.950 | 96.940 | -0.020 | 96.950 | 96.930 | 3313 | 160218 |
| Jun | 97.045 | 97.050 | -0.025 | 97.055 | 97.035 | 1231 | 133140 |
| Sep | 97.085 | 97.080 | -0.030 | 97.085 | 97.070 | 1007 | 123906 |
| Dec | 96.815 | 96.845 | -0.025 | 96.840 | 96.815 | 136 | 100003 |

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

| Strike Price | CALLS Mar | Jun | Sep | Dec | PUTS Mar | Jun | Sep | Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | 0.065 | | | | 0.020 | | | |
| 97000 | 0.035 | 0.135 | 0.200 | 0.150 | 0.095 | 0.085 | 0.110 | 0.305 |
| 97125 | 0.010 | | | | 0.195 | | | |
| 97250 | 0.005 | 0.045 | 0.090 | 0.080 | 0.315 | 0.245 | 0.260 | 0.485 |

Est. vol. total, Calls 15144 Puts 800. Previous day's open int., Calls 88400 Puts 37270

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

| Strike Price | CALLS Mar | Jun | Sep | Dec | PUTS Mar | Jun | Sep | Dec |
|---|---|---|---|---|---|---|---|---|
| 96875 | 0.065 | | | | 0.020 | | | |
| 97000 | 0.035 | 0.135 | 0.200 | 0.150 | 0.095 | 0.085 | 0.110 | 0.305 |
| 97125 | 0.010 | | | | 0.195 | | | |
| 97250 | 0.005 | 0.045 | 0.090 | 0.080 | 0.315 | 0.245 | 0.250 | 0.485 |

Est. vol. total, Calls 290 Puts 1025. Previous day's open int., Calls 340486 Puts 177246

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 98.530 | 98.550 | +0.020 | 98.560 | 98.500 | 5832 | 65477 |
| Jun | 98.450 | 98.520 | +0.020 | 98.520 | 98.460 | [illegible] | 36101 |
| Sep | 98.390 | 98.410 | +0.020 | 98.410 | 98.360 | 1684 | 34091 |
| Dec | 98.110 | 98.130 | +0.020 | 98.110 | 98.080 | 78 | 14644 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | | 99.42 | - | | | 0 | na |
| Jun | | 99.53 | - | | | 0 | na |
| Sep | | 99.48 | +0.01 | | | 0 | na |

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 98750 | 0.070 | 0.100 | 0.125 | 0.160 | 0.330 | 0.485 |
| 98875 | 0.030 | | | 0.245 | | |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4005 Puts 2112

## POUND SPOT FORWARD AGAINST THE POUND

| Feb 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 19.9728 | -0.0038 | [illegible] - 792 | 20.0178 | 19.9208 | 19.9386 | 2.2 | 19.8577 | 2.3 | 19.5578 | 2.1 | 102.8 |
| Belgium* | (BFr) | 58.5519 | -0.0109 | 325 - 712 | 58.6850 | 58.3990 | 58.4431 | 2.2 | 58.2151 | 2.3 | 57.335 | 2.1 | 102.8 |
| Denmark | (DKr) | 10.7925 | -0.0003 | 876 - 974 | 10.8154 | 10.7710 | 10.7768 | 1.8 | 10.7426 | 1.8 | 10.6152 | 1.6 | 105.8 |
| Finland* | (FM) | 9.6300 | -0.0017 | 271 - 329 | 9.6500 | 9.6060 | 9.6139 | 2.2 | 9.5803 | 2.3 | 9.4587 | 2.1 | 81.3 |
| France* | (FFr) | 9.5210 | -0.0018 | 178 - 241 | 9.5425 | 9.4962 | 9.5033 | 2.2 | 9.4682 | 2.3 | 9.3231 | 2.1 | 108.0 |
| Germany* | (DM) | 2.8389 | -0.0004 | 379 - 398 | 2.8461 | 2.8309 | 2.8336 | 2.2 | 2.8228 | 2.3 | 2.7798 | 2.1 | 109.7 |
| Greece | (Dr) | 467.718 | +8.4100 | 532 - 904 | 469.982 | 465.339 | 469.303 | -4.1 | 472.85 | -4.5 | 486.578 | -4.8 | 82.7 |
| Ireland* | (I£) | 1.1431 | -0.0008 | 427 - 436 | 1.1457 | 1.1401 | 1.1409 | 2.3 | 1.1365 | 2.3 | 1.1198 | 2.1 | [illegible] |
| Italy* | (L) | 2810.42 | -0.5300 | 949 - 135 | 2816.80 | 2803.13 | 2805.19 | 2.2 | 2794.26 | 2.3 | 2752.01 | 2.1 | 78.8 |
| Luxembourg* | (LFr) | 58.5519 | -0.0109 | 325 - 712 | 58.6850 | 58.3990 | 58.4431 | 2.2 | 58.2151 | 2.3 | 57.335 | 2.1 | 102.6 |
| Netherlands* | (Fl) | 3.1986 | -0.0006 | 975 - 997 | 3.2059 | 3.1902 | 3.1928 | 2.2 | 3.1802 | 2.3 | 3.1321 | 2.1 | 102.0 |
| Norway | (NKr) | 12.5257 | -0.0057 | 156 - 357 | 12.5955 | 12.4975 | 12.5483 | -0.8 | 12.5624 | -1.8 | 12.6317 | -0.8 | 92.1 |
| Portugal* | (Es) | 290.992 | -0.0550 | 895 - 089 | 291.860 | 290.233 | 290.431 | 2.2 | 289.318 | 2.3 | 284.944 | 2.1 | 93.1 |
| Spain* | (Pta) | 241.503 | -0.0458 | 423 - 585 | 242.050 | 240.860 | 241.054 | 2.2 | 240.113 | 2.3 | 236.483 | 2.1 | 78.6 |
| Sweden | (SKr) | 12.8855 | +0.0406 | 553 - 656 | 12.9056 | 12.8352 | 12.8736 | 2.0 | 12.8277 | 2.1 | 12.6608 | 1.8 | 88.0 |
| Switzerland | (SFr) | 2.3202 | -0.0018 | 191 - 213 | 2.3312 | 2.3173 | 2.3125 | 4.1 | 2.2983 | 4.1 | 2.2278 | 3.8 | 107.4 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 100.6 |
| Euro | (€) | 1.4515 | -0.0003 | 510 - 519 | 1.4590 | 1.4477 | 1.4488 | 2.2 | 1.4431 | 2.3 | 1.4214 | 2.1 | - |
| SDR† | - | 1.177400 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6326 | -0.0058 | 323 - 328 | 1.6343 | 1.6281 | - | - | - | - | - | - | - |
| Brazil | (R$) | 3.0614 | +0.0465 | [illegible] - 709 | 3.0558 | 3.0009 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.4281 | -0.0105 | [illegible] - 293 | 2.4338 | 2.4245 | 2.427 | 0.8 | 2.4264 | 0.4 | 2.423 | 0.2 | 78.5 |
| Mexico | (New Peso) | 16.4745 | -0.0496 | 636 - 851 | 16.4951 | 16.4302 | 16.6345 | -16.2 | 17.5381 | -20.3 | 20.4826 | -24.3 | - |
| USA | ($) | 1.6328 | -0.0057 | 325 - 330 | 1.6361 | 1.6266 | 1.632 | 0.6 | 1.6309 | 0.5 | 1.6322 | 0.0 | 104.6 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.5066 | -0.0061 | 036 - 073 | 2.5116 | 2.4924 | 2.5039 | 0.6 | 2.5013 | 0.7 | 2.4961 | 0.3 | 81.3 |
| Hong Kong | (HK$) | 12.6528 | -0.0443 | 502 - 546 | 12.6701 | 12.6224 | 12.6502 | 0.2 | 12.6558 | -0.4 | 12.9026 | -2.0 | - |
| India | (Rs) | 69.3184 | -0.2648 | 996 - 372 | 69.4360 | 69.2240 | 69.5897 | -4.8 | 70.3306 | -5.8 | 74.3013 | -7.2 | - |
| Indonesia | (Rupiah) | 14691.49 | +153.8400 | 763 - 535 | 14815.35 | 14158.70 | 14862.55 | -29.8 | 15709.7 | [illegible] | [illegible] | [illegible] | - |
| Israel | (Shk) | 6.6673 | -0.0037 | 598 - 749 | 6.6990 | 6.6385 | - | - | - | - | - | - | - |
| Japan | (Y) | 185.660 | +0.5910 | 566 - 754 | 186.050 | 184.110 | 184.915 | 4.8 | 183.34 | 5.0 | 176.866 | 4.7 | 135.0 |
| Malaysia | (M$) | 6.2046 | -0.0216 | 845 - 972 | 6.2131 | 6.1896 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.9204 | -0.0496 | 173 - 234 | 2.9738 | 2.9061 | 2.916 | 1.8 | 2.9098 | 1.4 | 2.9103 | 0.3 | 84.1 |
| Philippines | (Peso) | 64.3304 | +1.0642 | 758 - 882 | 64.4190 | 64.0756 | 64.7081 | -7.0 | 65.5601 | -7.5 | 69.3094 | -7.8 | - |
| Saudi Arabia | (SR) | 6.1287 | -0.0219 | 219 - 254 | 6.1324 | 6.1096 | 6.1367 | -1.0 | 6.1461 | -1.5 | 6.2361 | -1.8 | - |
| Singapore | (S$) | 2.7598 | -0.0058 | 570 - 604 | 2.7618 | 2.7324 | 2.7518 | 3.3 | 2.7373 | 3.2 | 2.699 | 2.2 | - |
| South Africa | (R) | 9.7495 | -0.0675 | 398 - 831 | 9.7504 | 9.6776 | 9.8286 | -9.9 | 9.9976 | -10.0 | 10.6741 | -8.5 | - |
| South Korea | (Won) | 1919.71 | +2.5000 | 737 - 204 | 1922.04 | 1911.40 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 52.5807 | -0.1565 | 318 - 296 | 52.7318 | 52.5014 | 52.9237 | -8.5 | 53.0901 | -3.8 | 53.6474 | -1.8 | - |
| Thailand | (Bt) | 60.2894 | +0.0171 | 393 - 394 | 60.3620 | 60.0018 | 60.2983 | -0.2 | 60.4249 | -0.9 | 61.6272 | -2.6 | - |

† Rates for Feb 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Feb 8 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria* | (Sch) | 12.2325 | +0.0407 | 303 - 348 | 12.2575 | 12.1879 | 12.2181 | 1.6 | 12.1789 | 1.8 | 11.9898 | 2.0 | 102.4 |
| Belgium* | (BFr) | 35.8688 | +0.1193 | 545 - 673 | 35.9340 | 35.7590 | 35.8128 | 1.6 | 35.6962 | 1.8 | 35.1289 | 2.0 | 102.6 |
| Denmark | (DKr) | 6.6100 | +0.0230 | [illegible] - 120 | 6.6244 | 6.5977 | 6.6037 | 1.2 | 6.5871 | 1.4 | 6.5038 | 1.8 | 105.0 |
| Finland* | (FM) | 5.2868 | +0.0176 | [illegible] | 5.2954 | 5.2708 | 5.2785 | 1.6 | 5.2613 | 1.8 | 5.1777 | 2.0 | 80.6 |
| France* | (FFr) | 5.8313 | +0.0194 | [illegible] - 333 | 5.8432 | 5.8147 | 5.8234 | 1.6 | 5.8045 | 1.8 | 5.7132 | 2.0 | 105.4 |
| Germany* | (DM) | 1.7387 | +0.0080 | [illegible] | 1.7422 | 1.7327 | 1.7363 | 1.6 | 1.7307 | 1.8 | 1.7032 | 2.0 | 103.2 |
| Greece | (Dr) | 286.460 | +1.2550 | 390 - 530 | 287.110 | 285.040 | [illegible] | -4.7 | 288.986 | -4.8 | 298.06 | -4.0 | 82.4 |
| Ireland* | (I£) | 1.4284 | -0.0047 | 281 - 286 | 1.4324 | 1.4254 | 1.4304 | -1.7 | 1.4351 | -1.9 | 1.4584 | -2.1 | - |
| Italy* | (L) | 1721.28 | +5.7200 | [illegible] - 169 | 1724.81 | 1716.40 | 1718.97 | 1.6 | 1713.38 | 1.8 | 1688.14 | 2.0 | 75.3 |
| Luxembourg* | (LFr) | 35.8809 | +0.1192 | 545 - 673 | 35.9340 | 35.7590 | 35.8128 | 1.6 | 35.6962 | 1.8 | 35.1289 | 2.0 | 102.6 |
| Netherlands* | (Fl) | 1.9591 | +0.0065 | 587 - 594 | 1.9630 | 1.9536 | 1.9565 | 1.6 | 1.9502 | 1.8 | 1.9191 | 2.0 | 101.9 |
| Norway | (NKr) | 7.6715 | +0.0080 | [illegible] - 795 | 7.7085 | 7.6540 | 7.688 | -2.6 | 7.718 | -2.3 | 7.7385 | -0.9 | 91.2 |
| Portugal* | (Es) | 178.222 | +0.5950 | 190 - 254 | 178.590 | 177.720 | 177.983 | 1.6 | 177.404 | 1.8 | 174.584 | 2.0 | 92.4 |
| Spain* | (Pta) | 147.912 | +0.4920 | [illegible] | 148.210 | 147.490 | 147.714 | 1.6 | 147.233 | 1.8 | 144.893 | 2.0 | 78.4 |
| Sweden | (SKr) | 7.8980 | +0.0240 | [illegible] | 7.9030 | 7.8584 | 7.8887 | 1.4 | 7.8856 | 1.8 | 7.7598 | 1.6 | 82.8 |
| Switzerland | (SFr) | 1.4211 | +0.0041 | [illegible] | 1.4275 | 1.4180 | 1.417 | 3.6 | 1.4082 | 3.8 | 1.3713 | 3.8 | 107.1 |
| UK | (£) | 1.6328 | -0.0057 | [illegible] | 1.6331 | 1.6266 | 1.632 | 0.6 | 1.6309 | 0.5 | 1.6322 | 0.0 | 100.3 |
| Euro | (€) | 1.1249 | -0.0080 | 247 - 251 | 1.1281 | 1.1219 | 1.1264 | -1.8 | 1.1301 | -1.9 | 1.1485 | -2.1 | - |
| SDR† | - | 0.71740 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | +0.0003 | 998 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.8750 | +0.0350 | 700 - 800 | 1.8800 | 1.8400 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.4871 | -0.0012 | 866 - 876 | 1.4902 | 1.4856 | 1.4872 | -0.1 | 1.4872 | 0.0 | 1.4845 | 0.2 | 78.2 |
| Mexico | (New Peso) | 10.0900 | +0.0050 | 850 - 950 | 10.0980 | 10.0850 | 10.215 | -26.8 | 10.7625 | -28.7 | 12.54 | -24.3 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 105.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.5346 | +0.0017 | 337 - 354 | 1.5367 | 1.5278 | 1.5342 | 0.3 | 1.5337 | 0.2 | 1.5331 | 0.1 | 81.7 |
| Hong Kong | (HK$) | 7.7493 | +0.0002 | 480 - 498 | 7.7495 | 7.7490 | 7.7518 | -0.4 | 7.7583 | -0.8 | 7.9043 | -2.0 | - |
| India | (Rs) | 42.4550 | -0.0125 | 500 - 600 | 42.4670 | 42.4500 | 42.645 | -5.4 | 43.1225 | -6.3 | 45.81 | -7.2 | - |
| Indonesia | (Rupiah) | 8800.00 | +125.0000 | 000 - 000 | 8850.00 | 8700.00 | 9125 | -30.3 | 9865 | -35.3 | 11550 | -28.8 | - |
| Israel | (Shk) | 4.0835 | -0.0052 | 794 - 875 | 4.0987 | 4.0624 | - | - | - | - | - | - | - |
| Japan | (Y) | 113.710 | +0.7600 | 670 - 750 | 114.180 | 112.750 | 113.21 | 4.2 | 112.425 | 4.5 | 108.455 | 4.6 | 138.9 |
| Malaysia‡ | (M$) | 3.8000 | +1.6300 | 300 - 300 | 3.8001 | 3.7999 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 1.7886 | -0.0241 | 870 - 902 | 1.8215 | 1.7844 | 1.7868 | 1.2 | 1.7861 | 0.8 | 1.7855 | 0.2 | - |
| Philippines | (Peso) | 39.4000 | [illegible] | 000 - 500 | 39.5500 | 39.2500 | 39.6475 | -7.5 | 40.1775 | -7.9 | 42.495 | -7.8 | - |
| Saudi Arabia | (SR) | 3.7505 | -0.0003 | 500 - 510 | 3.7510 | 3.7500 | 3.7555 | -1.6 | 3.7668 | -1.9 | 3.8205 | -1.9 | - |
| Singapore | (S$) | 1.6900 | +0.0034 | 894 - 904 | 1.6905 | 1.6860 | 1.6862 | 2.7 | 1.6785 | 2.7 | 1.6537 | 2.1 | - |
| South Africa | (R) | 5.9675 | -0.0325 | [illegible] - 725 | 5.9750 | 5.9500 | 6.0195 | -10.5 | 6.1235 | -10.5 | 6.6375 | -8.8 | - |
| South Korea | (Won) | 1173.75 | +5.6500 | 650 - 700 | 1177.00 | 1171.00 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 32.2650 | - | [illegible] - 600 | 32.2900 | 32.2400 | 32.43 | -6.1 | 32.815 | -3.1 | 32.865 | -1.9 | - |
| Thailand | (Bt) | 36.9250 | +0.1400 | 000 - 500 | 36.9500 | 36.7700 | 36.96 | -0.9 | 37.05 | -1.4 | 37.875 | -2.6 | - |

† SDR rate per $ for Feb 5. ‡ Official rate set by Malaysian government. The Malaysian rate for the valuation of capital assets is 3.45 MYR/USD, a discount of 10% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Feb 5: Base average 1990=100. Bid, offer, mid and [illegible] rates in both this and the Pound table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. [illegible] by the F.T. * EMU member. The exchange rates printed in this table are also available on the internet at http://www.FT.com

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Feb 8 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | € |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium* | (BFr) | 100 | 18.43 | 16.26 | 4.848 | 1.952 | 4800 | 5.463 | 21.39 | 497.0 | 412.5 | 22.02 | 3.963 | 1.708 | 4.147 | 2.789 | 317.1 | 2.479 |
| Denmark | (DKr) | 54.25 | 10 | 8.822 | 2.630 | 1.059 | 2604 | 2.964 | 11.61 | 269.6 | 223.8 | 11.95 | 2.150 | 0.927 | 2.250 | 1.513 | 172.0 | 1.345 |
| France* | (FFr) | 61.50 | 11.34 | 10 | 2.982 | 1.201 | 2952 | 3.360 | 13.16 | 305.6 | 253.7 | 13.54 | 2.437 | 1.050 | 2.550 | 1.715 | 195.0 | 1.525 |
| Germany* | (DM) | 20.63 | 3.802 | 3.354 | 1 | 0.403 | 990.0 | 1.127 | 4.412 | 102.5 | 85.07 | 4.543 | 0.817 | 0.352 | 0.855 | 0.575 | 65.40 | 0.511 |
| Ireland* | (I£) | 51.22 | 9.441 | 8.329 | 2.483 | 1 | 2459 | 2.798 | 10.96 | 254.6 | 211.3 | 11.28 | 2.030 | 0.875 | 2.124 | 1.428 | 162.4 | 1.270 |
| Italy* | (L) | 2.083 | 0.384 | 0.339 | 0.101 | 0.041 | 100 | 0.114 | 0.446 | 10.35 | 8.593 | 0.459 | 0.083 | 0.036 | 0.086 | 0.058 | 6.606 | 0.052 |
| Netherlands* | (Fl) | 18.31 | 3.374 | 2.977 | 0.888 | 0.357 | 878.8 | 1 | 3.916 | 90.97 | 75.50 | 4.032 | 0.725 | 0.313 | 0.759 | 0.510 | 58.04 | 0.454 |
| Norway | (NKr) | 46.75 | 8.616 | 7.601 | 2.266 | 0.913 | 2244 | 2.554 | 10 | 232.3 | 192.8 | 10.30 | 1.852 | 0.798 | 1.938 | 1.304 | 148.2 | 1.159 |
| Portugal* | (Es) | 20.12 | 3.709 | 3.272 | 0.976 | 0.393 | 965.8 | 1.099 | 4.304 | 100 | 82.99 | 4.432 | 0.797 | 0.344 | 0.834 | 0.561 | 63.80 | 0.499 |
| Spain* | (Pta) | 24.24 | 4.469 | 3.942 | 1.175 | 0.473 | 1164 | 1.324 | 5.187 | 120.5 | 100 | 5.340 | 0.961 | 0.414 | 1.005 | 0.676 | 76.86 | 0.601 |
| Sweden | (SKr) | 45.40 | 8.369 | 7.383 | 2.201 | 0.886 | 2179 | 2.480 | 9.713 | 225.7 | 187.3 | 10 | 1.799 | 0.775 | 1.883 | 1.266 | 144.0 | 1.126 |
| Switzerland | (SFr) | 25.24 | 4.651 | 4.104 | 1.224 | 0.493 | 1211 | 1.379 | 5.398 | 125.4 | 104.1 | 5.558 | 1 | 0.431 | 1.046 | 0.704 | 80.02 | 0.626 |
| UK | (£) | 58.55 | 10.79 | 9.520 | 2.839 | 1.143 | 2810 | 3.198 | 12.53 | 291.0 | 241.5 | 12.90 | 2.320 | 1 | 2.429 | 1.633 | 185.7 | 1.451 |
| Canada | (C$) | 24.11 | 4.445 | 3.921 | 1.169 | 0.471 | 1157 | 1.317 | 5.159 | 119.8 | 99.46 | 5.311 | 0.956 | 0.412 | 1 | 0.672 | 76.46 | 0.598 |
| USA | ($) | 35.86 | 6.610 | 5.831 | 1.739 | 0.700 | 1721 | 1.959 | 7.672 | 178.2 | 147.9 | 7.898 | 1.421 | 0.612 | 1.487 | 1 | 113.7 | 0.889 |
| Japan | (Y) | 31.54 | 5.813 | 5.128 | 1.529 | 0.616 | 1514 | 1.723 | 6.747 | 156.7 | 130.1 | 6.946 | 1.250 | 0.539 | 1.308 | 0.879 | 100 | 0.782 |
| Euro | (€) | 40.34 | 7.436 | 6.560 | 1.956 | 0.788 | 1936 | 2.204 | 8.630 | 200.5 | 166.4 | 8.885 | 1.599 | 0.689 | 1.673 | 1.125 | 127.9 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.5770 | 0.5754 | -0.0015 | 0.5778 | 0.5748 | 12,665 | 57,520 |
| Jun | 0.5800 | 0.5779 | -0.0018 | 0.5815 | 0.5779 | 130 | 1,650 |
| Sep | 0.5840 | 0.5830 | +0.0000 | 0.5832 | 0.5827 | - | 189 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8873 | 0.8819 | -0.0053 | 0.8918 | 0.8800 | [illegible] | 69,828 |
| Jun | 0.8930 | 0.8924 | -0.0051 | 0.9008 | 0.8920 | 285 | 5,153 |
| Sep | 0.9165 | 0.9115 | +0.0033 | 0.9115 | 0.9096 | - | 1,496 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.7070 | 0.7045 | -0.0018 | 0.7190 | 0.6995 | 8,983 | [illegible] |
| Jun | 0.7150 | 0.7100 | -0.0026 | 0.7178 | 0.7105 | 90 | 595 |
| Sep | 0.7190 | 0.7192 | +0.0004 | 0.7229 | 0.7178 | - | 320 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.6314 | 1.6302 | -0.0010 | 1.6344 | 1.6280 | 9,183 | 53,844 |
| Jun | 1.6290 | [illegible] | -0.0012 | 1.6310 | - | 62 | 1,802 |
| Sep | 1.6494 | 1.6256 | -0.0044 | 1.6296 | 1.6226 | - | 230 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Feb 8 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6¼ - 4¼ | 5¾ - 5⅝ | 5⅞ - 5⅝ | 5⅝ - 5½ | 5⅜ - 5¼ | 5¼ - 5⅛ |
| Sterling CDs | - | - | 6¼ - 6 | 5⅝ - 5½ | 5⅝ - 5⅜ | 5⅝ - 5⅜ |
| Treasury Bills | - | - | 5⅝ - 5⅝ | 5⅝ - 5⅝ | - | - |
| Bank Bills | - | - | 5⅝ - 5½ | 5⅜ - 5⅝ | - | - |
| Local authority deps. | 6¼ - 5⅝ | 6¼ - 6 | 5⅝ - 5⅜ | 5⅝ - 5⅜ | 5⅝ - 5⅜ | 5⅝ - 5⅜ |
| Discount Market deps | 6 - 5¾ | 5⅞ - 5¾ | - | - | | |

UK clearing bank base lending rate 5½ per cent from Feb 4, 1999

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 4 | 5.5 | 5.5 | 5.25 | 5.25 |

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Feb 5, 5.1840pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 29, 1999. Agreed rate for period Feb 24, 1999 to Mar 23, 1999, Scheme III 7.18pc. Reference rate for period Jan 1, 1999 to Jan 29, 1999, Schemes IV & V 5.928pc. Finance House Base Rate 6.5pc for Feb 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.620 | 94.640 | +0.020 | 94.660 | 94.600 | 28833 | 185841 |
| Jun | 94.930 | 94.940 | +0.005 | 94.980 | 94.900 | 28753 | 186126 |
| Sep | 95.050 | 95.070 | +0.005 | 95.110 | 95.030 | 27728 | 174624 |
| Dec | 94.890 | 94.870 | -0.010 | 94.900 | 94.840 | 6280 | 145446 |
| Mar | 95.060 | 95.040 | -0.030 | 95.080 | 95.010 | 11777 | 128949 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 94500 | 0.160 | 0.470 | 0.630 | 0.020 | 0.030 | 0.060 |
| 94625 | 0.075 | | | 0.060 | | |
| 94750 | 0.030 | 0.270 | 0.430 | 0.140 | 0.080 | 0.110 |
| 94875 | 0.015 | | | 0.250 | | |
| 95000 | 0.005 | 0.125 | 0.270 | 0.365 | 0.185 | 0.200 |
| 95125 | 0 | | | 0.485 | | |

Est. vol. total, Calls 14700 Puts 8874. Previous day's open int., Calls 528094 Puts 363432

### EMS EUROPEAN CURRENCY UNIT RATES

| Feb 8 | Euro cen. rates | Rate against Euro € | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Greece | 353.109 | 322.250 | +0.3 | -8.74 | 8.21 | 58 |
| Denmark | 7.46038 | 7.4355 | -0.0003 | -0.33 | 0.00 | 2 |
| **NON EMU MEMBERS** | | | | | | |
| UK | 0.653644 | 0.68850 | +0.0066 | 5.30 | -5.42 | - |

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Euro central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Feb | Mar | Apr | PUTS Feb | Mar | Apr |
|---|---|---|---|---|---|---|
| 1.630 | 0.76 | 1.52 | 2.12 | 0.52 | 1.37 | 2.07 |
| 1.640 | 0.40 | 1.11 | 1.72 | 1.03 | 1.87 | 2.52 |
| 1.650 | 0.15 | 0.79 | 1.38 | 1.79 | 2.51 | 3.13 |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a.

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

| Strike Price | CALLS Feb | Mar | Apr | PUTS Feb | Mar | Apr |
|---|---|---|---|---|---|---|
| 0.575 | 0.34 | 0.70 | 1.01 | 0.20 | 0.48 | 0.70 |
| 0.580 | 0.12 | 0.46 | 0.76 | 0.48 | 0.71 | 0.95 |
| 0.585 | 0.08 | 0.29 | 0.58 | 0.89 | 1.07 | 1.26 |

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.98 | 94.98 | - | 95.00 | 94.97 | 61,227 | 446,144 |
| Jun | 94.95 | 94.96 | +0.01 | 94.98 | 94.91 | 112,043 | 447,005 |
| Sep | 94.92 | 94.92 | - | 94.92 | 94.92 | 206,095 | 428,817 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.65 | 95.64 | -0.03 | 95.67 | 95.66 | 280 | 2,340 |
| Jun | 95.69 | - | - | 95.70 | 95.70 | 9 | 398 |

All Open interest figs. are for previous day

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 08.02.99 | Final Prices for Trading on 18.01.99

| ½ hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh | TS use of system charge £/MWh |
|---|---|---|---|---|
| 0030 | 17.88 | 20.70 | 21.00 | 0.82 |
| 0100 | 21.38 | 26.40 | 26.70 | 0.82 |
| 0130 | 21.38 | 26.40 | 26.70 | 0.82 |
| 0200 | 21.38 | 26.40 | 26.70 | 0.82 |
| 0230 | 17.88 | 20.70 | 21.00 | 0.82 |
| 0300 | 17.88 | 21.03 | 21.38 | 0.82 |
| 0330 | 21.38 | 26.73 | 27.03 | 0.82 |
| 0400 | 21.38 | 26.73 | 27.03 | 0.82 |
| 0430 | 21.38 | 26.78 | 27.03 | 0.82 |
| 0500 | 17.88 | 21.03 | 21.38 | 0.82 |
| 0530 | 17.88 | 19.98 | 20.27 | 0.82 |
| 0600 | 20.58 | 19.98 | 20.27 | 0.82 |
| 0630 | 20.55 | 19.98 | 20.27 | 0.82 |
| 0700 | 22.53 | 36.93 | 37.24 | 0.82 |
| 0730 | 57.46 | 63.73 | 64.06 | 0.82 |
| 0800 | 57.46 | 63.88 | 64.24 | 0.82 |
| 0830 | 24.89 | 54.16 | 54.57 | 0.82 |
| 0900 | 24.87 | 53.89 | 54.38 | 0.82 |
| 0930 | 42.74 | 45.85 | 46.48 | 0.82 |
| 1000 | 56.38 | 53.85 | 54.85 | 0.82 |
| 1030 | 52.28 | 54.20 | 54.97 | 0.82 |
| 1100 | 44.91 | 47.25 | 48.25 | 0.82 |
| 1130 | 44.83 | 63.57 | 64.77 | 0.82 |
| 1200 | [illegible] | 58.89 | 58.14 | 0.82 |
| 1230 | 44.87 | 56.16 | 57.57 | 0.82 |
| 1300 | 44.83 | 56.55 | 58.51 | 0.82 |
| 1330 | 44.79 | 54.82 | 55.89 | 0.82 |
| 1400 | 43.82 | 54.70 | 55.41 | 0.82 |
| 1430 | 43.80 | 48.70 | [illegible] | 0.82 |
| 1500 | 43.79 | [illegible] | 48.94 | 0.82 |
| 1530 | 38.38 | 23.74 | 23.74 | 0.00 |
| 1600 | 29.83 | 49.41 | 50.27 | 0.82 |
| 1630 | 26.08 | 65.61 | 69.70 | 0.82 |
| 1700 | 32.27 | [illegible] | 123.42 | 0.82 |
| 1730 | 75.84 | 144.58 | 161.45 | 0.82 |
| 1800 | 86.63 | 141.48 | 156.79 | 0.82 |
| 1830 | 85.04 | 92.52 | 108.93 | 0.82 |
| 1900 | 78.36 | 77.56 | 79.93 | 0.82 |
| 1930 | 73.69 | 67.52 | 68.68 | 0.82 |
| 2000 | 49.72 | 54.60 | 55.11 | 0.82 |
| 2030 | 35.59 | [illegible] | 45.53 | [illegible] |
| 2100 | 35.24 | 43.44 | 43.78 | 0.82 |
| 2130 | 33.53 | 55.29 | 56.60 | 0.82 |
| 2200 | 33.63 | 55.29 | [illegible] | 0.82 |
| 2230 | 20.58 | 28.19 | 28.50 | 0.82 |
| 2300 | 20.58 | 10.45 | 10.45 | 0.00 |
| 2330 | 10.74 | 20.48 | 20.80 | 0.82 |
| 2400 | 9.48 | 20.48 | 20.80 | 0.82 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £14.89/MWh becomes 1.489p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible] Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive more information should telephone 0115 945 6736 between [illegible] Monday to Friday. ©Energy Settlements and Information Services Limited

### BASE LENDING RATES

| | % |
|---|---|
| Adam & Company | 5.50 |
| Allied Irish Bank (GB) | 5.50 |
| ●Henry Ansbacher | 5.50 |
| Banco Bilbao Vizcaya | 5.50 |
| Bank of Cyprus | 5.50 |
| Bank of Ireland | 5.50 |
| Bank of India | 5.50 |
| Bank of Scotland | 5.50 |
| Barclays Bank | 5.50 |
| Brit Bk of Mid East | 5.50 |
| ●Brown Shipley & Co Ltd | 5.50 |
| Citibank NA | 5.50 |
| Clydesdale Bank | 5.50 |
| The Co-operative Bank | 5.50 |
| Coutts & Co | 5.50 |
| Cyprus Popular Bank | 6.00 |
| Duncan Lawrie | 5.50 |
| Exeter Trust Limited | 6.50 |
| Financial & Gen Bank | 8.00 |
| ●Robert Fleming & Co | 5.50 |
| Habib Bank AG Zurich | 5.50 |
| Heritable & Gen Inv Bk | 5.50 |
| C. Hoare & Co | 5.50 |
| ●SG Hambros Bank & Trust | 5.50 |
| Hongkong & Shanghai | 5.50 |
| Investec Bank (UK) Ltd | 5.50 |
| Julian Hodge Bank | 5.50 |
| ●Leopold Joseph & Sons | 5.50 |
| Lloyds Bank | 5.50 |
| Midland Bank | 5.50 |
| NatWestminster | 5.50 |
| ●Rea Brothers | 5.50 |
| Royal Bk of Scotland | 5.50 |
| Scottish Widows Bank | 5.75 |
| ●Singer & Friedlander | 5.50 |
| Smith & Williamson | 5.50 |
| Sun Bank | 5.50 |
| TSB | 5.50 |
| United Bank of Kuwait | 5.50 |
| Unity Trust Bank Plc | 5.50 |
| Whiteaway Laidlaw | 5.50 |
| Yorkshire Bank | 5.50 |

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COLAS

**Business activity and provisional results for 1998**

**Turnover : 9% rise**

**Net profit : 16% rise**

The Board of Directors of Colas, chaired by Mr. Alain Dupont, met on February 4 1999 to examine the Group's provisional figures for business activity and net profit in 1998.

**CONSOLIDATED KEY FIGURES**

| | In millions of French francs 1998 (provisional) | 1997 | In millions of Euros 1998 (provisional) | 1997 |
|---|---|---|---|---|
| *Consolidated turnover* | 29,539 | 26,995 | 4,503 | 4,115 |
| Net profit | 514 | 451 | 78.4 | 68.8 |
| Net profit (Group share) | 501 | 433 | 76.4 | 66.0 |
| Funds generated by operations | 1,466 | 1,347 | 223.5 | 205.4 |

**TURNOVER INCREASES 9% COMPARED TO 1997, TO REACH 29.5 BILLION FRENCH FRANCS (4.5 BILLION EUROS)**

Turnover totals 29.5 billion French francs (4.5 billion Euros) compared to 27 billion francs (4.1 billion Euros) in 1997. A breakdown in sales figures shows that mainland France accounts for 17.2 billion francs (2.6 billion Euros), with 12.3 billion francs (1.9 billion Euros) for the international sector, including the French overseas departments and territories. Sales and revenues in Europe and North America represent 95% of total turnover.

The driving factors which have contributed to this increase in turnover are as follows :

- posting of the new American companies' activity following their acquisition in April 1998, for some 1.6 billion francs (249 million Euros)
- slight progress for mainland France's road activity at roughly 3%
- favourable economic course in many countries in which Colas operates.

**NET PROFIT (GROUP SHARE) INCREASES 16 %, REACHING 501 MILLION FRENCH FRANCS (76 MILLION EUROS)**

Provisional net profit figures for 1998 reach 514 million French francs (78.4 million Euros). Group *share of net profit after minority interest is 501 million French francs (76.4 million Euros),* compared to 433 million French francs (66 million Euros) in 1997.

The statements for 1998 will be finalised by the Group's Board of Directors, scheduled to meet on March 25 1999.

**OUTLOOK 1999**

*In France, the road industry should enjoy a market similar to that of 1998.*

As for the international sector - and namely North America - the road industry should remain on a positive course.

The Group will continue developing through external acquisition, with the following priorities :

- developing international networks,
- reinforcing industrial activities : asphalt mix, emulsions, bituminous membranes,
- expansion in the aggregate production sector.

A project to acquire quarries located in the north-east of France - with annual production of 2.5 million tons - was announced in December 1998, and will be completed during the first half-year of 1999. The French watertightening specialists S.M.A.C. and its subsidiary Axter, with 2 billion French francs in turnover (300 million Euros), will be acquired for 50 million francs (7.6 million Euros).

*Thus, forecasts are showing turnover on the rise for 1999.*



Financial Times Surveys

**Indian Infrastructure**

Thursday February 25

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FINANCIAL TIMES

No FT, no comment.

## COMMODITIES & AGRICULTURE

# Brazilian fall-out continues to affect softs

**MARKETS REPORT**

By Paul Solman and Gillian O'Connor

Brazil's currency devaluation continued to weigh on soft commodity markets yesterday, with coffee prices falling in London after reports that Brazil's Chamber of Foreign Trade was not yet considering imposing taxes on exports.

The country is the world's largest producer of coffee, the second biggest soybean grower and a substantial exporter of sugar and cocoa. The prospect of increased supplies coming on to the world market after last month's devaluation of the real has depressed prices.

Traders and analysts are now focusing on reports that the government is considering imposing export taxes to protect domestic supplies.

Robusta coffee for March delivery on the London International Financial Futures and Options Exchange ended yesterday at $1,718 a tonne, down $5 from Friday's close. March cocoa was down £5 at £895 a tonne, while March white sugar was $230 a tonne in late trading against Friday's close of $224.

World oil prices remained weak on London's International Petroleum Exchange, with little fundamental news around to move the market. In late trading, the benchmark March contract for Brent blend was $10.47 a barrel against Friday's close of $10.43.

Analysts were searching for new metaphors, as prices of base metals moved higher again on the London Metal Exchange.

But although they all ended higher, the real action has been in nickel, zinc and lead, with copper and aluminium close behind. Yesterday mining shares joined in the fun with Billiton and Rio both showing good gains.

But most analysts are still wary of saying that prices have touched bottom. Adam Rowley of Macquarie said it was difficult to justify any very bullish general predictions, and that there have been specific factors which explain the strength of nickel lead and zinc.

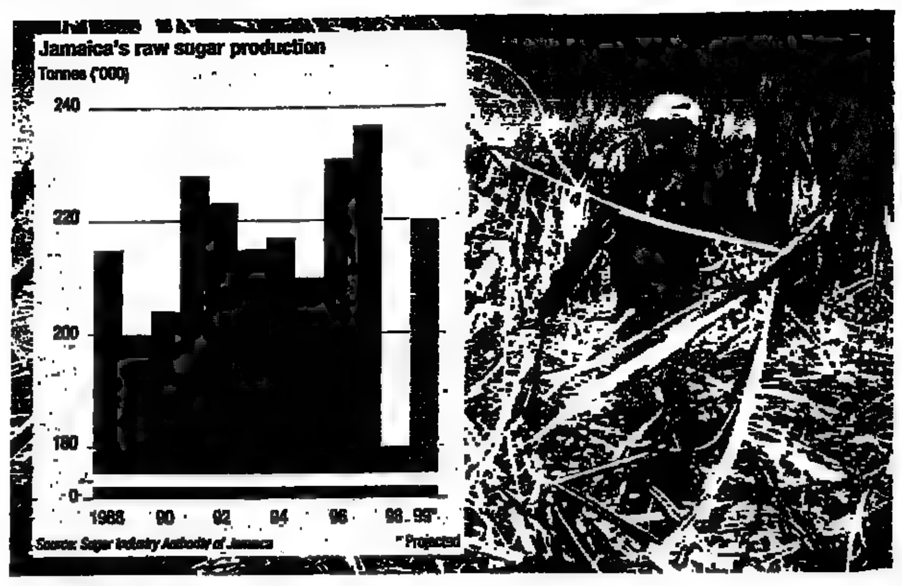
Rumours that Inco, due to publish its quarterly figures this week, will take the opportunity to announce production cuts have supported the nickel price – helped by output disruptions at other producers.

Earlier estimates of the zinc surplus are being revised downwards. And the strike at Asarco's Montana smelter has helped push the lead price higher.

But, as Nick Moore of Flemings remarked, "the destiny of the metal markets remains very much in the hands of the producers. Cutbacks must still feed through if this hard-fought gain is to be consolidated."

# Jamaica government moves to prop up sugar industry

Tropicana becomes the fourth ailing mill to be renationalised as part of a concerted rescue attempt, writes **Canute James**




In an effort to support its ailing sugar industry, plagued by inefficient production and poor weather, the Jamaican government has moved to provide financial aid and take control of an increasing number of sugar mills facing financial difficulties.

The government recently announced that it would regain control of Tropicana, which had been leased to a private company through a management contract.

In spite of $5.25m in government support last year, it became insolvent, and Roger Clarke, the agriculture minister, said that he did not expect the mill to become profitable within the next five years.

The takeover of the Tropicana mill is part of the government's efforts to prevent the collapse of an industry that was once the foundation of the island's economy, and is still economically important and a big employer.

The industry employs 28,000 people, and another 13,000 seasonally during harvesting. It also brings in about $100m a year from sugar exports, but the industry has been plagued with high labour costs and low investments by the manufacturers.

The government's move to regain control of Tropicana follows the renationalisation of the island's three largest mills from private owners to whom they had been divested four years ago. "In addition to this, the government has been assisting other mills," said Evon Brown, chief executive of the Sugar Industry Authority. "Almost all the mills have financial problems and need help."

**The government is trying to prevent the collapse of an industry once the foundation of the island's economy**

The state intervention in the industry was made possible by loans totalling $100m. The state-owned Agriculture Credit Bank has secured $60m from Banco Santander of Spain, while the Caribbean Development Bank is providing $25m. The remaining $15m has been obtained from "other sources in Europe", and the terms of the loans will be disclosed when negotiations are concluded.

In renationalising the three divested mills, the government said they had not met productivity and production targets and depended too heavily on state financial support.

A 51 per cent stake in the mills, which produce 70 per cent of the island's sugar, was sold to the Sugar Company, a consortium of two local companies and Booker Tate of the UK.

The mills were sold for $28.5m in cash and promissory notes, but were repossessed for the nominal price of J$1 (2.7 US cents) after the government had pumped $77m into the Sugar Company to keep it going. The Sugar Company's operations were adversely affected by its inability to reduce production costs which are higher than those of Jamaica's competitors, Mr Clarke said.

"The government discussed with the private shareholders of the Sugar Company the extent to which they were willing or able to provide funds to keep the company going," Mr Clarke said.

"They advised that they would not be providing any additional financing to the company."

Following the sharp fall in production to 180,000 tonnes of sugar last year due to poor weather in the region, the 220,000 tonnes production target set for the current harvest will be achieved, Mr Brown said. Although output is higher than a year ago, and weather has been more favourable, even this higher output will leave the island short of sugar after it has met its export quota commitments.

Jamaica has an export quota of 127,000 tonnes per year to the European Union and a quota of 16,000 tonnes per year to the US. The predicament means that Jamaica has been forced to import sugar for the domestic market.

"We have been importing raw and refined sugar to meet domestic demand after fulfilling our quotas," explained Mr Brown. "We usually import about 50,000 tonnes of refined and 70,000 tonnes of raw sugar. We will be importing again this year."

Meeting the export quotas is vital to the survival of the industry as it would be hard for Jamaica to sell profitably on the world market.

The island's production costs are 33 cents per pound, four times more than the world market price, which has been further depreciated by the devaluation of the Brazilian currency.

"The Jamaican industry could not survive without these preferential markets," said Mr Brown.

"But we are working at improving this situation. We are committed to reducing production costs through improved efficiency and higher productivity."

## NEWS DIGEST

**INDIA**

### Rice and wheat lead agricultural recovery

A sharp revival of non-basmati rice sales and wheat exports helped Indian agricultural exports rise 37 per cent for the first half of its fiscal year, ending next month. Total exports of foods, fruits, livestock and other agricultural goods hit Rs43.6bn ($1.03bn) between April and September, against Rs31bn for the period a year earlier, according to figures from the Agricultural and Process Food Products Export Development Authority. Both wheat and non-basmati rice sales recovered strongly from negative growth in the previous year.

Non-basmati rice exports rose 184 per cent to Rs18.7bn after falling 16 per cent the previous year. Wheat exports also recovered from negative growth of 99 per cent a year earlier to post a 332 per cent rise to Rs15.6m. Other strong export performers included basmati rice, which rose 23 per cent with sales of Rs9.5bn, along with floriculture and seed products, which rose 20 per cent to Rs830m.

However, the agricultural authority's quarterly report noted declines in exports of livestock, dairy and meat products. It also noted mixed performance among food processing sectors, with processed fruit and vegetable exports rising 11 per cent to Rs3.54bn, but other processed foods sliding 1.4 per cent to overall sales of Rs6.25bn, dragged down by an 80 per cent fall in groundnut sales at Rs470m against Rs2.4bn.
**Mark Nicholson, New Delhi**

### Price fall hits spice exports

India's exports of spices are set to fall short of targets this year because of a drop in demand and prices, according to industry sources. The government fixed a spices export target of 248,050 tonnes valued at Rs17.18bn ($404m) for the financial year ending in March. However, exporters said only 55 per cent of the volume and 63 per cent of the value had been achieved and it was not possible to make up the difference during the next two months.

The Spices Board said India exported 137,495 tonnes of spices valued at Rs10.66bn between April and December 1998 against 170,652 tonnes worth Rs9.99bn in the same months of 1997. Spices exports hit a record of 228,821 tonnes valued at Rs14.08bn in 1997/98.

Pepper continues to top the list of the 52 spices in the export basket, accounting for 39 per cent of the total earnings. Between April and December 1998, India exported 22,250 tonnes of pepper compared with 26,554 tonnes in the same months of 1997. India set a target of 35,000 tonnes of pepper exports for 1998/99. It exported 35,719 tonnes of pepper in 1997/98. **Paul Solman and Agencies**

**PAKISTAN**

### Sugar cane harvest to rise

Pakistan's sugar cane harvest is expected to rise 3 per cent in the 1998/99 fiscal year, according to figures from the agriculture ministry. Total cane output is estimated at 55m tonnes against 53.1m tonnes in 1997/98. However, officials said recovery of sugar from cane was expected to be lower than last year. **Paul Solman**

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading)

| | Cash | 3 mths |
|---|---|---|
| **ALUMINIUM, 99.7 PURITY ($ per tonne)** | | |
| Close | 1221-2 | 1244-5 |
| Previous | 1216-7 | 1235-6 |
| High/low | | 1250/1237 |
| AM Official | 1215-6 | 1238.5-9.0 |
| Kerb close | | 1250-1 |
| Open int. | 291,341 | |
| Total daily turnover | 107,776 | |
| **ALUMINIUM ALLOY ($ per tonne)** | | |
| Close | 1042-47 | 1062-67 |
| Previous | 1047-52 | 1065-70 |
| High/low | | 1070/1063 |
| AM Official | 1036-8 | 1056-7 |
| Kerb close | | 1070-2 |
| Open int. | 7,483 | |
| Total daily turnover | 1,308 | |
| **LEAD ($ per tonne)** | | |
| Close | 521.5-22.5 | 509-9.5 |
| Previous | 511-2 | 496-9 |
| High/low | | 515/498 |
| AM Official | 513.5-4.0 | 505-6 |
| Kerb close | | 516-6 |
| Open int. | 35,741 | |
| Total daily turnover | 16,211 | |
| **NICKEL ($ per tonne)** | | |
| Close | 4750-60 | 4825-30 |
| Previous | 4675-85 | 4745-50 |
| High/low | | 4880/4715 |
| AM Official | 4760-65 | 4820-25 |
| Kerb close | | 4830-40 |
| Open int. | 71,034 | |
| Total daily turnover | 22,138 | |
| **TIN ($ per tonne)** | | |
| Close | 5340-50 | 5305-10 |
| Previous | 5340-50 | 5295-300 |
| High/low | | 5360/5270 |
| AM Official | 5370-75 | 5335-40 |
| Kerb close | | 5305-10 |
| Open int. | 21,972 | |
| Total daily turnover | 10,093 | |
| **ZINC, special high grade ($ per tonne)** | | |
| Close | 1032.5-3.5 | 1047-48 |
| Previous | 1019-20 | 1032-3 |
| High/low | | 1050/1028 |
| AM Official | 1027-8 | 1042-3 |
| Kerb close | | 1049-50 |
| Open int. | 97,098 | |
| Total daily turnover | 57,281 | |
| **COPPER, grade A ($ per tonne)** | | |
| Close | 1471.5-2.5 | 1499-500 |
| Previous | 1453-4 | 1480-1 |
| High/low | | 1508/1477 |
| AM Official | 1461-2 | 1489-9.5 |
| Kerb close | | 1503-4 |
| Open int. | 172,009 | |
| Total daily turnover | 49,864 | |

LME AM Official £/$ rate: 1.6318
LME Closing £/$ rate: 1.6355
Spot: 1.6331 3 mths: 1.6305 6 mths: 1.6285 9 mths: 1.6273

**HIGH GRADE COPPER (COMEX)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 68.15 | +1.85 | 68.15 | 66.60 | 157 | 710 |
| Mar | 68.45 | +1.85 | 68.60 | 66.50 | 10,236 | 36,260 |
| Apr | 68.85 | +1.80 | 68.95 | 67.25 | 19 | 2,122 |
| May | 69.20 | +1.80 | 69.30 | 67.50 | 1,156 | 7,585 |
| Jun | 69.50 | +1.80 | 68.95 | 68.60 | 21 | 1,492 |
| Jul | 69.85 | +1.80 | 69.70 | 68.30 | 439 | 6,414 |
| Total | | | | | 12,466 | 69,829 |

### PRECIOUS METALS

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 289.50-290.00 | | |
| Opening | 288.90-289.20 | | |
| Morning fix | 288.85 | 176.991 | 257.053 |
| Afternoon fix | 288.85 | 177.154 | 257.088 |
| Day's High | 289.80-290.10 | | |
| Day's Low | 288.60-288.90 | | |
| Previous close | 289.70-290.20 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month 4.07 6 months 3.92
2 months 4.05 12 months 3.54
3 months 4.04

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 341.292 | 557.50 |

Silver Lending Rates
1 month 1.45 6 months 0.50
2 months 1.00 12 months 0.25
3 months 0.80

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 290-294 | 178-180 |
| New Sovereign | 68-72 | 42-44 |

### Precious Metals continued

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **GOLD COMEX (100 Troy oz.; $/troy oz.)** | | | | | | |
| Feb | 290.4 | +0.8 | 290.7 | 289.5 | 123 | 1,545 |
| Mar | 290.6 | +0.8 | - | - | - | 2 |
| Apr | 291.3 | +0.8 | 291.8 | 290.4 | 20,046 | 94,439 |
| Jun | 292.2 | +0.8 | 293.5 | 292.2 | 440 | 24,819 |
| Aug | 296.1 | +0.8 | 295.1 | 294.4 | 42 | 6,744 |
| Oct | 296.9 | +0.8 | 296.0 | 296.0 | 2 | 2,796 |
| Total | | | | | 21,813 | 179,309 |
| **PLATINUM NYMEX (50 Troy oz.; $/troy oz.)** | | | | | | |
| Apr | 355.0 | -1.4 | 356.4 | 354.0 | 1,671 | 10,836 |
| Jul | 357.7 | -1.4 | 359.0 | 355.5 | 34 | 1,581 |
| Oct | 360.2 | -1.4 | 362.0 | 362.0 | 20 | 1,061 |
| Total | | | | | 1,688 | 13,501 |
| **PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)** | | | | | | |
| Mar | 346.00 | - | 352.00 | 341.00 | 796 | 2,669 |
| Jun | 338.00 | -1.50 | 344.00 | 336.50 | 238 | 415 |
| Sep | 332.00 | -3.50 | - | - | 1 | 127 |
| Total | | | | | 1,034 | 3,512 |
| **SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)** | | | | | | |
| Feb | 560.8 | -2.0 | - | - | 468 | 75 |
| Mar | 562.2 | -2.0 | 563.5 | 555.5 | 18,858 | 60,245 |
| May | 563.7 | -1.8 | 565.0 | 550.5 | 1,478 | 14,156 |
| Jul | 564.2 | -1.3 | 565.5 | 558.8 | 490 | 10,446 |
| Sep | 564.6 | -1.3 | 566.0 | 558.5 | 43 | 3,982 |
| Dec | 565.1 | -1.4 | 566.0 | 558.5 | 106 | 6,398 |
| Total | | | | | 19,395 | 101,394 |

### ENERGY

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **CRUDE OIL NYMEX (1,000 barrels, $/barrel)** | | | | | | |
| Mar | 11.83 | +0.03 | 11.94 | 11.71 | 78,864 | 92,605 |
| Apr | 11.96 | +0.03 | 12.06 | 11.86 | 40,116 | 62,578 |
| May | 12.13 | +0.04 | 12.19 | 12.04 | 21,526 | 51,330 |
| Jun | 12.30 | +0.07 | 12.37 | 12.18 | 9,226 | 39,526 |
| Jul | 12.42 | +0.04 | 12.49 | 12.39 | 3,565 | 24,781 |
| Aug | 12.62 | - | 12.62 | 12.60 | 3,010 | 17,018 |
| Total | | | | | 166,665 | 318,080 |

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **CRUDE OIL IPE ($/barrel)** | | | | | | |
| Mar | 10.40 | -0.01 | 10.49 | 10.33 | 12,338 | 43,612 |
| Apr | 10.55 | +0.03 | 10.60 | 10.47 | 16,488 | 64,689 |
| May | 10.74 | +0.02 | 10.78 | 10.58 | 4,468 | 30,363 |
| Jun | 10.90 | - | 10.96 | 10.86 | 751 | 31,085 |
| Jul | 11.07 | - | 11.12 | 11.04 | 442 | 11,156 |
| Aug | 11.28 | +0.04 | 11.29 | 11.23 | 137 | 8,953 |
| Total | | | | | n/a | n/a |

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **HEATING OIL NYMEX (42,000 US galls.; c/US galls.)** | | | | | | |
| Mar | 30.80 | - | 31.05 | 30.55 | 14,158 | 45,768 |
| Apr | 31.40 | - | 31.60 | 31.10 | 4,441 | 20,600 |
| May | 32.15 | +0.10 | 32.25 | 31.90 | 2,028 | 14,888 |
| Jun | 33.00 | +0.10 | 33.00 | 32.70 | 641 | 13,232 |
| Jul | 34.00 | - | 34.00 | 33.80 | 1,151 | 11,303 |
| Aug | 34.80 | +0.05 | 34.85 | 34.80 | 192 | 9,482 |
| Total | | | | | 24,773 | 186,197 |

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **GAS OIL IPE ($/tonne)** | | | | | | |
| Feb | 93.00 | -1.00 | 94.00 | 92.75 | 7,735 | 21,204 |
| Mar | 93.50 | -1.00 | 94.75 | 93.50 | 8,341 | 29,811 |
| Apr | 95.50 | -1.25 | 96.50 | 95.25 | 2,640 | 15,382 |
| May | 98.25 | -0.50 | 98.75 | 97.75 | 824 | 5,100 |
| Jun | 100.50 | -0.50 | 101.00 | 100.50 | 152 | 11,116 |
| Jul | 101.00 | -0.75 | 103.50 | 103.00 | 13 | 4,154 |
| Total | | | | | 17,090 | 134,019 |
| **NATURAL GAS IPE (1,000 therms, pence per therm)** | | | | | | |
| Feb | 9.500 | +0.050 | 9.490 | 9.480 | 50 | 5,595 |
| Mar | 9.280 | +0.020 | - | - | - | 3,285 |
| Total | | | | | 225 | 27,080 |

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)** | | | | | | |
| Mar | 1.825 | +0.025 | 1.830 | 1.790 | 35,705 | 55,269 |
| Apr | 1.855 | +0.015 | 1.860 | 1.825 | 12,186 | 25,396 |
| May | 1.880 | +0.015 | 1.885 | 1.860 | 3,547 | 16,087 |
| Jun | 1.900 | +0.010 | 1.900 | 1.880 | 3,699 | 15,857 |
| Jul | 1.925 | +0.008 | 1.925 | 1.915 | 1,654 | 14,420 |
| Aug | 1.945 | +0.002 | 1.955 | 1.940 | 1,507 | 11,205 |
| Total | | | | | 68,589 | 258,662 |
| **UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)** | | | | | | |
| Mar | 35.05 | +0.06 | 35.55 | 34.90 | 12,220 | 33,908 |
| Apr | 38.15 | -0.07 | 38.65 | 37.75 | 5,328 | 22,526 |
| May | 39.50 | +0.21 | 39.70 | 39.05 | 2,783 | 16,250 |
| Jun | 40.40 | +0.23 | 40.50 | 40.00 | 949 | 12,753 |
| Jul | 41.05 | +0.33 | 41.05 | 40.80 | 420 | 12,646 |
| Aug | 41.40 | - | 41.40 | 41.30 | 785 | 2,223 |
| Total | | | | | 22,813 | 166,797 |

### GRAINS AND OIL SEEDS

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **WHEAT LIFFE (100 tonnes; £ per tonne)** | | | | | | |
| Mar | 74.10 | -0.65 | 74.80 | 74.25 | 17 | 1,787 |
| May | 74.95 | -0.55 | 76.50 | 75.00 | 80 | 3,841 |
| Jul | 76.95 | -0.55 | 77.00 | 77.00 | 10 | 775 |
| Sep | 76.00 | -0.50 | - | - | - | 157 |
| Nov | 78.00 | -0.25 | 78.00 | 78.00 | 10 | 1,807 |
| Jan | 80.00 | -0.25 | - | - | - | 381 |
| Total | | | | | 117 | 8,728 |
| **WHEAT CBT (5,000bu min; cents/60lb bushel)** | | | | | | |
| Mar | 266.50 | -3.00 | 270.00 | 266.00 | 8,693 | 83,670 |
| May | 278.00 | -2.25 | 281.00 | 277.00 | 2,834 | 21,767 |
| Jul | 287.50 | -2.80 | 291.00 | 287.00 | 2,036 | 39,493 |
| Sep | 296.00 | -2.00 | 299.50 | 298.00 | 169 | 3,392 |
| Dec | 310.00 | -2.50 | 313.00 | 310.00 | 74 | 4,459 |
| Mar | 319.00 | -2.50 | - | - | 1 | 41 |
| Total | | | | | 13,797 | 131,793 |
| **MAIZE CBT (5,000 bu min; cents/56lb bushel)** | | | | | | |
| Mar | 218.00 | -0.50 | 219.00 | 217.25 | 25,449 | 145,867 |
| May | 224.00 | -0.25 | 225.00 | 223.25 | 8,142 | 73,471 |
| Jul | 228.75 | +0.25 | 229.75 | 228.00 | 5,509 | 73,369 |
| Sep | 234.50 | - | 235.25 | 234.00 | 552 | 18,472 |
| Dec | 241.25 | +0.75 | 241.75 | 240.00 | 2,626 | 43,086 |
| Mar | 249.25 | +1.00 | 249.50 | 248.00 | 153 | 4,855 |
| Total | | | | | 38,666 | 362,872 |
| **BARLEY LIFFE (100 tonnes; £ per tonne)** | | | | | | |
| Mar | 77.25 | - | - | - | - | 227 |
| May | 78.25 | - | - | - | - | 60 |
| Sep | 76.00 | - | - | - | - | 35 |
| Nov | 78.00 | - | 78.00 | 78.00 | 15 | 217 |
| Jan | 80.00 | - | - | - | - | 20 |
| Total | | | | | 15 | 559 |
| **SOYABEANS CBT (5,000bu min; cents/60lb bushel)** | | | | | | |
| Mar | 506.00 | -5.75 | 515.50 | 507.50 | 24,320 | 66,977 |
| May | 511.75 | -6.00 | 519.50 | 511.50 | 5,445 | 32,467 |
| Jul | 517.50 | -4.25 | 524.50 | 517.00 | 3,844 | 34,022 |
| Aug | 519.25 | -4.00 | 525.00 | 519.00 | 1,308 | 10,531 |
| Sep | 520.25 | -2.75 | 526.50 | 519.50 | 688 | 3,115 |
| Nov | 527.50 | -3.50 | 534.00 | 527.00 | 1,664 | 21,069 |
| Total | | | | | 37,258 | 169,048 |
| **SOYABEAN OIL CBT (60,000lbs; cents/lb)** | | | | | | |
| Mar | 21.41 | -0.14 | 21.72 | 21.37 | 7,981 | 51,180 |
| May | 21.68 | -0.13 | 22.00 | 21.67 | 4,190 | 31,933 |
| Jul | 21.93 | -0.09 | 22.20 | 21.89 | 2,330 | 20,776 |
| Aug | 22.04 | -0.10 | 22.30 | 21.98 | 552 | 5,718 |
| Sep | 22.12 | -0.08 | 22.35 | 22.07 | 277 | 5,343 |
| Oct | 22.16 | -0.08 | 22.42 | 22.25 | 299 | 2,783 |
| Total | | | | | 16,118 | 131,487 |
| **SOYABEAN MEAL CBT (100 tons; $/ton)** | | | | | | |
| Mar | 133.3 | -2.1 | 135.0 | 133.0 | 7,034 | 42,547 |
| May | 132.6 | -2.0 | 134.5 | 132.5 | 3,401 | 32,561 |
| Jul | 134.6 | -1.6 | 136.0 | 134.3 | 2,237 | 29,128 |
| Aug | 135.7 | -2.1 | 137.5 | 135.8 | 389 | 8,809 |
| Sep | 137.1 | -2.4 | 139.0 | 137.3 | 316 | 7,231 |
| Oct | 138.6 | -2.0 | 140.0 | 138.5 | 205 | 8,178 |
| Total | | | | | 14,354 | 131,487 |
| **POTATOES LIFFE (20 tonnes; £ per tonne)** | | | | | | |
| Mar | 250.0 | - | - | - | - | - |
| Apr | 305.0 | -4.0 | 310.0 | 304.0 | 80 | 2,094 |
| May | 322.0 | -8.0 | - | - | - | 29 |
| Jun | 332.0 | -8.0 | - | - | - | - |
| Nov | 90.0 | - | - | - | - | 3 |
| Total | | | | | 80 | 3,140 |
| **FREIGHT (BIFFEX) LIFFE ($10/index point)** | | | | | | |
| Feb | 830 | -12 | 842 | 840 | 5 | 204 |
| Mar | 860 | -20 | 860 | 860 | 20 | 152 |
| Apr | 924 | -16 | 930 | 924 | 25 | 1,013 |
| Jul | 800 | -20 | 800 | 800 | 5 | 602 |
| Oct | 925 | -10 | 925 | 925 | - | 381 |
| Total | | | | | 35 | 2,381 |

| | Close | Prev |
|---|---|---|
| BFI | 802 | 800 |

### PULP AND PAPER

**PULPEX ONLX (US$; 24 air dry tons)**

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 403.75 | -3.25 | 404.25 | 404.25 | 8 | 423 |
| Jun | 429.25 | -0.75 | 430.75 | 430.75 | 8 | 267 |
| Total | | | | | 17 | 789 |

FUTURES DATA
*All futures data supplied by CMS.*

**Minor Metals** from Metal Bulletin
European free market, $ per pound in warehouse. Antimony: 99.65%, $ per tonne, 1,410-1,460 (1,400-1,450). Bismuth: min. 99.99%, tonne lots, 2.85-3.10 (2.80-3.10). Cadmium: min. 99.95%, cents a pound, 18-22 (16-20). Cobalt: MB free market, min. 99.8%, 16.50-18.00 (14-17), min. 99.3%, 14.80-17.00 (12-14.5). Mercury: min. 99.99%, $ per 76 pound flask, 137-145. Molybdenum: drummed molybdic oxide, 2.80-2.95 (2.68-2.8). Selenium: min. 99.5%, 1.40-2.30. Tungsten ore: 33-44. Uranium: Nuexco, unrestricted exchange value 8.85. Vanadium: min. 98%, 2.45-2.65 (2.55-2.8).

### SOFTS

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **COCOA LIFFE (10 tonnes; £/tonne)** | | | | | | |
| Mar | 895 | -5 | 901 | 882 | 3,861 | 36,114 |
| May | 886 | -8 | 906 | 885 | 3,627 | 38,648 |
| Jul | 916 | -8 | 926 | 913 | 527 | 12,890 |
| Sep | 935 | -7 | 944 | 932 | 1,975 | 28,738 |
| Dec | 959 | -8 | 966 | 957 | 180 | 24,377 |
| Mar | 983 | -8 | 990 | 980 | 186 | 16,927 |
| Total | | | | | 10,769 | 191,604 |
| **COCOA CSCE (10 tonnes; $/tonnes)** | | | | | | |
| Mar | 1285 | -20 | 1294 | 1277 | 6,724 | 25,083 |
| May | 1316 | -19 | 1326 | 1306 | 5,521 | 28,277 |
| Jul | 1345 | -20 | 1362 | 1339 | 1,834 | 8,488 |
| Sep | 1374 | -21 | 1380 | 1371 | 148 | 5,177 |
| Dec | 1412 | -21 | 1423 | 1408 | 115 | 8,227 |
| Mar | 1460 | -21 | 1459 | 1460 | 201 | 6,397 |
| Total | | | | | 14,345 | 78,884 |

**COCOA (ICCO) (SDR's/tonne)**

| Feb 5 | Price | Prev. day |
|---|---|---|
| Daily | 1012.78 | 1022.84 |

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **COFFEE LIFFE ($ tonnes; $/tonne)** | | | | | | |
| Mar | 1717 | -8 | 1720 | 1705 | 1,348 | 22,588 |
| May | 1647 | -12 | 1660 | 1636 | 1,958 | 13,333 |
| Jul | 1632 | -12 | 1644 | 1626 | 155 | 3,065 |
| Sep | 1622 | -12 | 1633 | 1620 | 73 | 1,850 |
| Nov | 1612 | -12 | 1624 | 1615 | 86 | 435 |
| Jan | 1607 | -7 | 1622 | 1614 | 47 | 240 |
| Total | | | | | 3,666 | 41,581 |
| **COFFEE 'C' CSCE (37,500lbs; cents/lbs)** | | | | | | |
| Mar | 104.00 | -0.40 | 105.75 | 103.75 | 4,727 | 16,986 |
| May | 105.95 | -0.25 | 107.50 | 105.80 | 2,223 | 11,197 |
| Jul | 107.80 | -0.25 | 109.25 | 107.25 | 1,132 | 4,033 |
| Sep | 109.40 | -0.25 | 111.00 | 109.50 | 684 | 3,052 |
| Dec | 110.70 | -0.35 | 112.00 | 111.00 | 47 | 1,513 |
| Mar | 111.95 | -0.50 | 113.00 | 113.00 | 6 | 442 |
| Total | | | | | 8,869 | 37,223 |

**COFFEE (ICO) (US cents/pound)**

| Feb 5 | | Prev. day |
|---|---|---|
| Comp. daily | 92.90 | 92.46 |
| 15 day average | 93.72 | 94.26 |

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **WHITE SUGAR LIFFE (50 tonnes; $/tonne)** | | | | | | |
| Mar | 227.7 | +3.7 | 230.5 | 223.0 | 4,645 | 10,242 |
| May | 222.7 | +1.7 | 224.0 | 220.0 | 3,977 | 19,143 |
| Aug | 218.9 | -0.1 | 220.5 | 218.5 | 947 | 9,013 |
| Oct | 210.7 | -0.8 | 212.4 | 211.0 | 461 | 7,733 |
| Dec | 212.6 | -0.8 | - | - | - | 1,832 |
| Mar | 216.4 | -0.8 | 216.0 | 216.1 | 35 | 1,323 |
| Total | | | | | 8,944 | 49,840 |
| **SUGAR '11' CSCE (112,000lbs; cents/lbs)** | | | | | | |
| Mar | 6.84 | +0.15 | 6.92 | 6.82 | 11,641 | 62,837 |
| May | 6.71 | +0.15 | 6.76 | 6.67 | 7,276 | 40,614 |
| Jul | 6.64 | +0.08 | 6.69 | 6.61 | 2,238 | 34,142 |
| Oct | 6.95 | +0.08 | 6.98 | 6.92 | 580 | 21,986 |
| Mar | 7.34 | +0.08 | 7.35 | 7.28 | 344 | 13,255 |
| May | 7.41 | +0.08 | 7.42 | 7.42 | 34 | 2,367 |
| Total | | | | | 22,159 | 177,677 |
| **COTTON NYCE (50,000lbs; cents/lbs)** | | | | | | |
| Mar | 59.77 | +0.36 | 60.80 | 59.40 | 3,800 | 26,879 |
| May | 60.57 | +0.47 | 61.26 | 60.30 | 2,208 | 18,804 |
| Jul | 61.08 | +0.37 | 61.70 | 60.80 | 600 | 12,884 |
| Oct | 61.63 | +0.43 | 61.63 | 61.63 | 21 | 1,649 |
| Dec | 61.98 | +0.42 | 62.40 | 61.85 | 1,209 | 14,020 |
| Mar | 62.95 | +0.30 | 63.20 | 63.20 | 12 | 1,589 |
| Total | | | | | 7,936 | 77,784 |
| **ORANGE JUICE NYCE (15,000lbs; cents/lbs)** | | | | | | |
| Mar | 101.15 | -0.90 | 102.40 | 99.75 | 3,231 | 15,039 |
| May | 99.25 | -1.85 | 100.50 | 98.50 | 1,241 | 7,225 |
| Jul | 99.25 | -1.85 | 101.00 | 98.75 | 187 | 3,120 |
| Sep | 99.25 | -1.85 | 99.50 | 99.50 | 12 | 802 |
| Nov | 99.50 | -1.60 | - | - | 4 | 624 |
| Jan | 99.90 | -1.20 | - | - | - | 340 |
| Total | | | | | 4,676 | 27,257 |

**VOLUME DATA**
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

### INDICES

**Reuters (Base: 18/9/31 = 100)**

| Feb 8 | Feb 5 | month ago | year ago |
|---|---|---|---|
| 1446.5 | 1444.8 | 1503.5 | 1734.5 |

**CRB Futures (Base: 1967 = 100)**

| Feb 5 | Feb 4 | month ago | year ago |
|---|---|---|---|
| 190.50 | 190.90 | - | - |

**GSCI Spot (Base: 1970 = 100)**

| Feb 5 | Feb 4 | month ago | year ago |
|---|---|---|---|
| 133.04 | 133.12 | 133.58 | 171.66 |

**LME WAREHOUSE STOCKS (tonnes)**

| | | | |
|---|---|---|---|
| Aluminium | +1,425 | to | 802,900 |
| Aluminium alloy | -440 | to | 94,020 |
| Copper | +625 | to | 557,650 |
| Lead | +275 | to | 105,025 |
| Nickel | +18 | to | 66,222 |
| Zinc | -1,600 | to | 310,700 |
| Tin | +20 | to | 7,330 |

### MEAT AND LIVESTOCK

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| **LIVE CATTLE CME (40,000lbs; cents/lbs)** | | | | | | |
| Feb | 65.825 | +0.275 | 65.950 | 64.975 | 8,943 | 14,400 |
| Apr | 67.775 | +0.025 | 67.950 | 67.350 | 8,666 | 49,147 |
| Jun | 66.025 | -0.100 | 66.200 | 65.850 | 4,046 | 28,599 |
| Aug | 65.425 | -0.050 | 65.650 | 65.300 | 1,375 | 12,841 |
| Oct | 66.775 | +0.050 | 66.825 | 66.400 | 482 | 7,570 |
| Dec | 67.725 | +0.200 | 67.850 | 67.400 | 85 | 3,514 |
| Total | | | | | 22,807 | 114,377 |
| **LEAN HOGS CME (40,000lbs; cents/lbs)** | | | | | | |
| Feb | 43.450 | +0.025 | 43.800 | 42.950 | 4,126 | 6,762 |
| Apr | 48.250 | +0.325 | 48.900 | 47.550 | 8,275 | 16,891 |
| Jun | 57.250 | +0.150 | 57.550 | 56.650 | 2,730 | 9,183 |
| Jul | 57.150 | -0.075 | 57.300 | 56.750 | 725 | 3,718 |
| Aug | 57.000 | -0.100 | 57.400 | 57.000 | 376 | 3,809 |
| Oct | 55.880 | +0.150 | 55.930 | 55.850 | 197 | 3,900 |
| Total | | | | | 16,474 | 46,057 |
| **PORK BELLIES CME (40,000lbs; cents/lbs)** | | | | | | |
| Feb | 60.650 | -1.450 | 62.750 | 60.350 | 1,000 | 1,881 |
| Mar | 60.950 | -0.950 | 63.200 | 60.600 | 1,010 | 3,110 |
| May | 61.950 | -0.800 | 64.500 | 61.700 | 443 | 1,230 |
| Jul | 61.700 | -1.100 | 63.800 | 61.000 | 119 | 716 |
| Total | | | | | 2,582 | 6,915 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| **ALUMINIUM (99.7%) LME** | Mar | Jun | Mar | Jun |
| 1250 | 19 | 58 | 26 | 39 |
| 1300 | 5 | 31 | 62 | 67 |
| 1350 | 1 | 17 | 108 | 101 |
| **COPPER (Grade A) LME** | Mar | Jun | Mar | Jun |
| 1450 | 61 | 109 | 13 | 36 |
| 1500 | 31 | 80 | 32 | 58 |
| 1550 | 13 | 57 | 64 | 82 |
| **COFFEE LIFFE** | Mar | May | Mar | May |
| 1650 | 75 | 69 | 8 | 72 |
| 1700 | 39 | 46 | 22 | 102 |
| 1750 | 17 | 35 | 50 | 156 |
| **COCOA LIFFE** | Mar | May | Mar | May |
| 900 | 11 | 34 | 18 | 38 |
| 925 | 5 | 24 | 35 | 51 |
| 950 | 1 | 16 | 56 | 68 |
| **BRENT CRUDE IPE** | Mar | Apr | Mar | Apr |
| 1050 | - | - | - | 81 |
| 1100 | 3 | - | - | - |
| 1150 | - | 21 | - | - |

### LONDON SPOT MARKETS

| | | +or- |
|---|---|---|
| **CRUDE OIL FOB (per barrel)** | | |
| Dubai | $9.62-9.73x | -0.335 |
| Brent Blend (dated) | $9.95-10.00 | -0.260 |
| Brent Blend (Mar) | $10.32-0.37 | -0.130 |
| W.T.I. | $11.75-1.80x | -0.185 |
| **OIL PRODUCTS NWE prompt delivery CIF (tonne)** | | |
| Premium Gasoline | $119-121 | |
| Gas Oil | $94-95 | -1 |
| Heavy Fuel Oil | $57-59 | |
| Naphtha | $95-97 | -2 |
| Jet fuel | $113-114 | -2.5 |
| Diesel | $101-102 | -1 |
| **NATURAL GAS (Pence/therm)** | | |
| Bacton (Mar) | 9.43-9.48 | -0.02 |
| *Petroleum Argus. Tel. London (0171) 359 8792* | | |
| **OTHER** | | |
| Gold (per troy oz)♣ | $288.75 | -0.20 |
| Silver (per troy oz)♣ | 559.50c | -4.00 |
| Platinum (per troy oz.) | $353.00 | -3.0 |
| Palladium (per troy oz.) | $345.00 | -7.0 |
| Copper | 71.0c | |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 19.30r | |
| Tin (New York) | 251.5 | +4.0 |
| Cattle (live weight) | 91.20p | +1.19* |
| Sheep (live weight) | 81.37p | +5.98* |
| Pigs (live weight)† | 47.67p | -2.21* |
| Lon. day sugar (raw) | $171.40 | +3.60 |
| Lon. day sugar (wte) | $230.50 | +4.00 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | £109.00 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Feb)♥ | 48.25p | |
| Rubber (Mar)♥ | 48.50p | |
| Rubber (KL RSS No1) | 266.00m | +2.00 |
| Coconut Oil (Phil)§ | 765.0 | |
| Palm Oil (Malay.)§ | 550.00 | |
| Copra (Phil)§ | 461.0y | |
| Soyabeans (US) | 148.5y | |
| Cotton Outlook 'A' index | 56.55 | |
| Wooltops (64s Super) | [illegible] | |

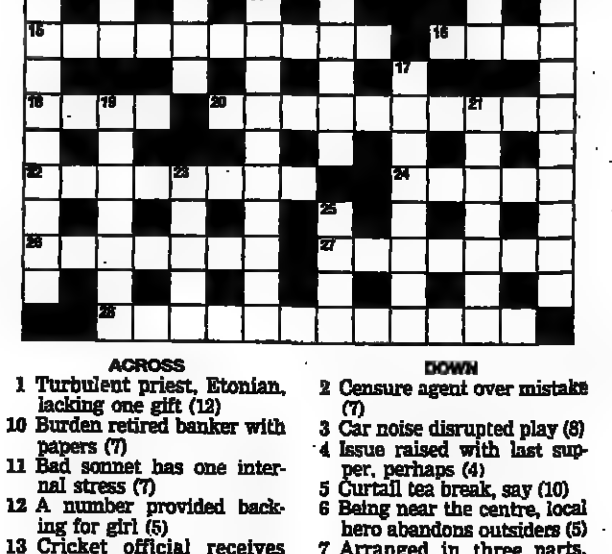
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Mar. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 2,492 head of pigs sold.

**JOTTER PAD**

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

## CROSSWORD

No.9,909 Set by GALAPAGOS



**ACROSS**
1 Turbulent priest, Etonian, lacking one gift (12)
10 Burden retired banker with papers (7)
11 Bad sonnet has one internal stress (7)
12 A number provided backing for girl (5)
13 Cricket official receives honour for devastating performance (8)
15 Trust island retreat to be up to the mark (10)
16 Brought up food, noisily (4)
18 Is politician possessed by demons?(4)
20 Musical arrangement, restrained at first, has uplifting conclusion (10)
22 He retails rubbish island rejected (8)
24 Old folk appearing in twice-nightly production (5)
25 Return faulty stereo after second breakdown (7)
27 Priest finds paradise in missing letter (7)
28 Truth identifies thieves' characteristics (5,7)

**DOWN**
2 Censure agent over mistake (7)
3 Car noise disrupted play (8)
4 Issue raised with last supper, perhaps (4)
5 Curtail tea break, say (10)
6 Being near the centre, local hero abandons outsiders (5)
7 Arranged in three parts, not one of a pair (7)
8 Sean holds court in iron maiden. How sweet! (13)
9 Openings provided by mutual friends? (13)
14 Spiteful man takes rodent to conservationists (10)
17 Girl in racing team is making good progress (8)
19 Study return circuit, without being positive (7)
21 Most reindeer scrabble about, wanting more (7)
23 In accordance with Anna's last wish (5)
25 Headgear somewhat like pill-box (4)

Solution to Saturday's prize puzzle on Saturday February 20.
Solution to yesterday's prize puzzle on Monday February 22.

هكذا من الاصل

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## NEWS DIGEST

### [illegible] and wheat lead [illegible] recovery

### [illegible] hits spice exports

... Paul Solman and Agencies

### [illegible] cane harvest to rise

... Paul Solman

## CROSSWORD

## OFFSHORE AND OVERSEAS

### BERMUDA (FSA RECOGNISED)

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Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

Orion (Group) Oct 15 ... $27.88

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Butterfield Funds

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StarVest Investment Funds

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Baring Mutual (Ireland) Limited

Bayard Partners Limited

Beaufort Capital Management

Belgrave Capital Management

Bozano, Simonsen Latin American Fund

Brown Simpson Asset Mgmt

Brunswick Capital Management (Cayman) Ltd

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Cathay Investment Fund Limited

The China Fund

Coutts & Co Ag

Craig Drill Capital Ltd

Deutsche Bank A.G.

Discover Investment

Dragon Securities Ltd

Dubin & Swieca

Eagle & Dominion EuroAmerican Growth Fd Ltd

Falcon Fund International Inc

Fairdale Capital Management Corporation

Fides Asset Management Ltd

Formosa Growth Fund Limited

Framlington Group Plc

Franck Asset Management

GA – Gala Management Limited

Gala Currency Funds

Global Fund Management S.A.

Grossman Asset Management

Guardian Global Asset Management Ltd

J O Hambro Capital Management

IBJ Schroder Bank & Trust Company

IBJ Schroder Overseas Fund II

InvPac Asia Pacific Funds Limited

The International Investor

Kingdon Offshore N.V.

Korea Intl Investment Fund

Korea Intl Investment Fund Ltd (II)

Korea International Investment Fund Ltd (III)

Korea International Investment Fund Ltd (V)

Korea International Investment Fund Ltd (VII)

Korea International Investment Fund Ltd (VIII)

Lehman Bros/GLG Partners Asset Mngmt

Lanco Alternative Fund Ltd

Liberal Asset Management – LIBERAL FUND

MFS Meridian Funds

MFS Meridian Funds – Contd.

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Masters International Advisors

Montgomery Emerging Markets Fund Ltd

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National Investment Trust Company Ltd

North Atlantic Management Co Ltd

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Omega Overseas Partners Ltd

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Philippine Income Fund Inc

Pro Value AG

Prudential Securities Futures Mgmt, Inc

Putnam Offshore Funds

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Russia Value Fund LP

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Secured Profits Fund Limited

Sierra Global Management PLC

Sloane Robinson Investment Mngmt Ltd

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Merrill Lynch Guernsey

MSM (Guernsey) Ltd

Next Century Partners Limited

Nikko Global Asset Mngt (Europe) Ltd

Paragon Asset Management Ltd

Port Fund Managers/Select Global Strategies

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Dalkey Europe Fund Mgrs Ireland Ltd

Dresdner International Mngmt Services Ltd

Edinburgh Unit Trust Managers (Ireland) Ltd

Federated International Funds Plc (a)

Finsbury International Ireland Ltd

Findlay Park US Smaller Companies Fund Plc

Finsbury Global Investment Funds Plc

Fleming Private Fund Plc

GT Global

GT Global - Contd.

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The Halal Mutual Investment Company Plc

Henderson Crosthwaite Investment Co

Herald Investment Fund Plc

Invesco Guinness Flight Fd (Ireland) Ltd

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Murray Johnstone (Dublin) Ltd

NPI Asset Management Limited

National Reserve Funds Plc

Old Mutual Fund Managers (Ireland) Ltd

Scottish Value Management (Ireland) Ltd (a)

Singer & Friedlander Inv Funds Ltd (a)

Swiss Life Investment Fund – Proteus (a)

Tilney (Ireland) Ltd

AIG Asset Management Ltd

AIM Capital Funds Plc (a)

AIM Global Management Company Limited

AMIS Management Limited

AON International Funds Plc

Abbey National Dublin Investment Fund Plc

Abbey National Dublin Investment Fd II Plc

Abbey National Dublin Investment Fund III Plc

Aberdeen Prolific Umbrella Cash Fund Plc

Amadeus Capital Vision Plc

Asia Small Cos Growth Fund (a)

Asian Growth Fund Plc

Asset Korea Fund

Asset Universal Ltd

Atlantic Korean Smaller Companies Fund

BAS-EX Management SA

BT&T Asset Management (Ireland) Ltd

BZW Secured Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

Barclays Global Investors Ireland Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Bear Stearns Asset Mgt (Ireland) Ltd

Blackstone Funds Managers Ireland Ltd

Border Invest (Ireland) Ltd

CFPM Global Fund Plc

Calplus Fund

Cazenove International Fund Plc

Chase Manhattan Vista Funds Plc

Chemical Ireland Fund Administrators Ltd

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Daiwa Europe Fund Mgrs Ireland Ltd

Dragon Korea Fund Plc

DB Voyager Fund Plc

Eagle Star European Life Assurance Co Ltd

EdgeaB Select Group

Egerton Capital European Fund Plc

Exploration Smaller Companies Plc NAV

Emerging World Asset Management

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Fidelity Institutional Cash Fund PLC

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Foreign & Colonial Emerging Markets Ltd

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Framlington Investment Mgmt (Ireland) Ltd

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Fuji Investment Management Co (Europe) Ltd

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GT Global

Gan International Umbrella Fund Plc

Gartmore Korea Fund Plc

General & Cologne Re Fd Mgrs (Ireland) Ltd

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Global Resources Stock Fund

The Golden Gate Fund Plc

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Hanson Ireland Ltd

InvestmentPlus Plc

Irish Life International Global Funds Plc

Japan World Funds

John Hancock Funds Plc

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Hansmann International Fund Plc (a)

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Kima Far East Fund Plc

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Korea Bond Fund Plc

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Morgan Grenfell Fixed Income Funds Plc

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Paribas Multi-Manager Global Fund Plc

Philo Smith & Co

Pioneer Management (Ireland) Ltd

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Prudential Securities Futures Mgmt Inc

Putnam World Trust

RMB Global Fund

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J. Rothschild International Assoc plc

SEC Traded Endowment Fund Plc

SEI Global Master Fund – Institutional Class

SEI Global Master Fund – Investor Class

The Sagitta Fund Plc

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Super Phoenix Fund II

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Irish Permanent Fund Managers (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Old Mutual Intl Fd Managers (Isle of Man) Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

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Sterling Bond ... 3½ C £0.4945 0.5124 +0.0012 6.6

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Mores Feb 4 ... $15.52 15.84 — 2.71

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Pacific Fund Feb 3 ... $20.72 22.09

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Libra 2000 Ind Dec 31 ... $118.31

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**Bank Von Ernst & Cie AG**
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For Europe Indosuez see Credit Agricole Indosuez

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International Bond ... 1½ $103.28 107.653 −0.258 4.

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NAV ... $1.012 — —

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Managed Convertible (z) ... $12.69 — —

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Blakeney Investors Jan 29 ... $12.70

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NAV ... $1.57

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**Scudder Global Opportunities Funds - Contd.**

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**Seligman Global Horizon Funds**

**Sigma Fund SICAV**

**Skopia Asset Management**

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**Stratamed Scudder Environmental Value Fd**

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For Van Kampen see Morgan Stanley Mngr

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# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

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## BREWERIES, PUBS & REST

## BUILDING MATS. & MERCHANTS

## CHEMICALS

## CONSTRUCTION

## CONSTRUCTION - Continued

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ENGINEERING

## ENGINEERING - Continued

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## FOOD PRODUCERS - Continued

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Continued

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## INVESTMENT TRUSTS - Continued

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# LONDON SHARE SERVICE

## OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

## INVESTMENT COMPANIES

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

## LEISURE & HOTELS

## LIFE ASSURANCE

## MEDIA

## MEDIA - Continued

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

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## PROPERTY - Continued

## RETAILERS, FOOD

## RETAILERS, GENERAL

## SUPPORT SERVICES

## SUPPORT SERVICES - Continued

## TELECOMMUNICATIONS

## TOBACCO

## TRANSPORT

## TRANSPORT - Continued

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

## TRADED INDEX SECURITIES

# AIM

## Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the UK Official list

## AIM - Continued

## GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-price/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for these particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 5/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress.
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment schemes.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimate. f Dividend/yield adjusted for complex issue. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Dividend/yield includes amount payable after 6/4/99. c Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1999. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in stock or part as a FID (Foreign Income Dividend). P Dividend/yield adjusted for consolidation or share split. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: ∝ ex dividend; ∝ ex scrip issue; ∝ ex rights; ∝ ex all; ∝ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion


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An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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For Retail Price Index details call 0891 43 0005

## The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

# Footsie slides again as SmallCap rise continues

**MARKET REPORT**

By Steve Thompson, UK Stock Market Editor

In a downbeat Monday performance, London's leading stocks extended their losing streak to a fourth session yesterday.

But dealers insisted that the downside pressures affecting the front-line stocks were no more than minimal, and that it was mostly sentiment, rather than actual selling, that had caused the market setback.

The mid and small-cap sectors, which have outpaced the FTSE 100 since the start of the year, were again sustained by the takeover news prevalent among engineering and other sectors.

But even the mid-caps were tainted by bursts of profit-taking, despite racing ahead in recent weeks as bids galore have emerged in the sector and as the housebuilders have responded to five months of UK interest rate cuts.

At the close the FTSE 100 index was left with a 20.4 decline at 5,834.9, extending its fall over the past four sessions to 178.1 or 3 per cent.

And after a session of subtle shifts from plus to minus and back again, the FTSE 250 eventually ended the session 6.1 off at 5,205.4.

Unlike the senior indices, the FTSE SmallCap, which has left both the FTSE 100 and MidCap indices for dead since the start of the year, continued its impressive performance, closing the day at a session high of 2,217.1, up 7.2.

"The bids keep coming in the smaller companies and that is something the market can't argue with, unlike the leaders," said one small-companies marketmaker.

He did warn, however, that there was either feast or famine in the small-caps, with the constant flow of takeovers in the area being matched by an equally constant flow of profit warnings.

The bids in the small-caps included software group Rebus, Limelight, the kitchens and home improvement group, and Cafe Inns, the north of England pubs group.

The big market story of the day, however, was Ladbroke's agreed bid for Stakis, the hotels to casinos group, which saw shares in both companies running rampant as the market took in the benefits.

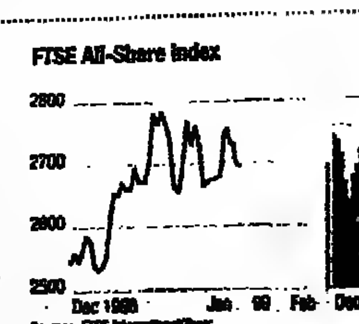
Ladbroke's cash-and-shares move was spiced with a well-received profits forecast. The market was also quick to appreciate the acquisition of David Michels, regarded by industry specialists as the best of the UK hotel group managers. "He is the real star of the Stakis group," said one broker.

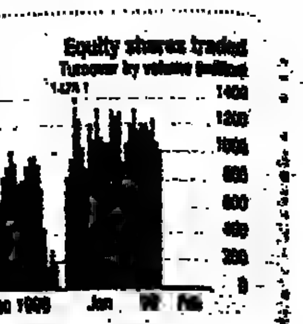
The broad market began the day on the back foot and remained there for the rest of the session, rallying briefly as Wall Street kicked off the day in good heart only to falter very quickly.

Sentiment in London was hit by more damaging economic news, which saw industrial production in the UK slide 0.8 per cent in December, well in excess of a consensus forecast which looked for a 0.2 per cent decline.

That news, along with subdued producer price data, was seen as likely leading to more rate cuts in the UK, despite the 200 basis points reduction that have taken place over the past five months.

Turnover in London remained robust, reaching 1.01bn shares at 6pm.




**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 5834.9 | -20.4 | FT 30 | 3584.0 | -17.0 |
| FTSE 250 | 5205.4 | -6.1 | FTSE Non-Fins p/e | 23.75 | 23.54 |
| FTSE 350 | 2783.5 | -8.7 | FTSE 100 Fut Mar | 5835.0 | -3.0 |
| FTSE All-Share | 2692.85 | -7.56 | 10 yr Gilt yield | 4.51 | 4.43 |
| FTSE All-Share yield | 2.87 | 2.87 | Long gilt/equity yld ratio | 1.58 | 1.54 |

| Best performing sectors | | Worst performing sectors | |
|---|---|---|---|
| 1 Oil Exploration & Prod | +5.9 | 1 Life Assurance | -2.1 |
| 2 Extractive Industries | +5.6 | 2 Insurance | -1.9 |
| 3 Electricity | +1.4 | 3 Alcoholic Beverages | -1.4 |
| 4 Leisure & Hotels | +1.3 | 4 Banks-Retail | -1.3 |
| 5 Resources | +1.2 | 5 Pharmaceuticals | -1.0 |

# Rio puts on grand showing

**COMPANIES REPORT**

By Peter John, Joel Kibazo and Martin Brice

The hunt for bombed-out cyclical stocks began to pursue the extractive industries and flushed Rio Tinto out of its hiding hole.

Robert Fleming was last night putting the finishing touches to a big "buy" note on Rio, having discussed the potential for one of the biggest mining companies at the morning meeting.

Analyst Nick Hatch upgraded from "hold-positive" on the basis that metals prices are bottoming out and the annual iron ore contract negotiations between Japan and Australia might be more encouraging for producers than previously thought.

Mr Hatch also said the yield in Rio was up at 4.3 per cent first thing, while Billiton had reached 5.2 per cent. "You can buy these shares as yield plays in a falling interest rate environment and get the recovery for free," said Mr Hatch.

In addition, Deutsche Bank upgraded Rio to "outperform" from "underperform" with an 850p price target. The broker said the shares were trading at an all-time relative low but it expected encouraging news on cost-cutting with the full-year figures on February 25. Rio jumped 39 to 790p and Billiton 11 to 126p.

Lasmo, the embattled oil exploration and production stock, jumped 14½ to 118½p as the market decided it was now or never for the bid.

The company has been in talks with Enterprise but last week stories developed that BG – which has extensive exploration and production operations – might bid for one or both of the groups.

There have also been suggestions that a European company such as Eni of Italy could show its hand.

The rise in the shares yesterday, coupled with turnover of 7.4m, suggested some investors considered the talks with Enterprise would be terminated and, with rivals having completed their due diligence, Lasmo was clearly in play.

However, there was a note of caution from Neil Perry of HSBC Securities. "The market is in danger of pricing in too much of the offer premium without an offer," he said.

Enterprise gained 10¼ to 234¼p, partly dragged up by the takeover speculation but also on the belief that the collapse of talks with Lasmo would eliminate the need for a cash-raising exercise. BG rose 1½ to 362p.

A feeling the Ladbroke Group offer for Stakis was well below market expectations helped shares in one of the UK's biggest gaming and leisure companies soar.

"Let's face it, Ladbroke has managed to negotiate a very good deal. It is getting Stakis cheaply," said one leisure sector specialist.

Ladbroke said it had made a recommended cash and shares offer for Stakis, valuing the group at around £1.16bn. Investors moved strongly into Ladbroke, sending the shares 38 or 16.5 per cent ahead to 269p, by far the best performance by FTSE 100 constituents. Turnover of 27m made it one of the most heavily traded stocks in the benchmark.

Stakis was also in demand. The shares were the best performers in the FTSE 250 for most of the session before a late burst of profit-taking saw them relinquish the top spot. They still closed 16 up at 157p. Granada ended 22 off at £11.34½.

*SmithKline Beecham* moved forward in early trading on a push from ABN Amro, which moved its recommendation from "long-term accumulate" to straight "buy" following the stock's underperformance.

The broker has adjusted its valuation model to take into account the fast-track approval for Avandia, the diabetes treatment.

In addition, some dealers said the pharmaceuticals group was about to announce it had completed the disposal of Diversified Pharmaceutical Services.

And although it is expected to sell at a big discount to the $2.3bn it paid for DPS in 1994, some analysts believe it could clear the decks for consolidation.

## SmithKline ranking

Mark Brewer at ABN said SmithKline now ranked 10th in the world in terms of overall sales. The proposed merger between Astra and Zeneca merger is seen as increasing the pressure to be one of the global leaders. The shares were up 7 at best, but closed 2 better at 800½p.

*Scotia Holdings* jumped 29 to 98½p after it signed an agreement with General Mills for the US group to license Olibra, Scotia's appetite suppressant.

Dr Sally Bennett of Sutherlands said: "General Mills is now the biggest cereal seller in the US with turnover above $6bn and although the deal won't impact for a couple of years, it's very good news for Scotia."

Confirmation from British Telecommunications and Microsoft, the world's largest software group, that the two groups are to develop a new range of internet, intranet and corporate data service for mobile phone users around the world, helped shares in the UK telecoms giant resist the poor market trend. The stock hardened 7½ to 935p in trade of 9.4m.

The selling of mobile operators Orange and Vodafone Group, left shares in both languishing. The former gave up 15 to 851p, while the latter fell 9 to £10.76½, with 12m dealt by the close.

Psion suffered the worst fall in the FTSE 250 after the announcement by BT that it was to work with Microsoft, the US computing giant, to develop a new range of services for mobile phone users around the world.

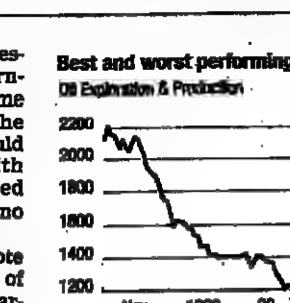
The move is seen as likely to hit Psion's Symbian alliance with a number of leading mobile telephony companies. Psion was off almost 6 per cent or 52½ at 876p. Early last year the shares were at 205p.

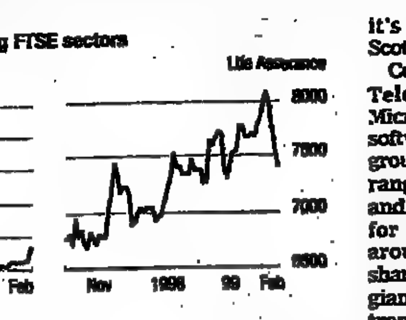
Food retailer Safeway followed the market trend, the shares closing 2 off at 276½p, as the group posted a confident trading statement.

The prospects for further bids and mergers in the European defence industry continued to drive the British Aerospace share price, with positive comment from CSFB having an effect.

The broker said, in a weighty research document, that it believed BAe would "attract transatlantic merger attention, with CASA of Spain, Alenia of Italy and Dasa of Germany possibly joining in the interim".

BAe flew ahead almost 4 per cent or 15 to 441½p, as the broker told clients that its sum-of-the-parts calculation valued the company at 621p.




## FT 30 INDEX

| | Feb 8 | Feb 5 | Feb 4 | Feb 3 | Feb 2 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 3584.0 | 3601 | 3629.1 | 3619.3 | 3646.8 | 3445.3 | 4004.8 | 2790.6 |
| Ord. div. yield | 2.93 | 2.92 | 2.88 | 2.90 | 2.87 | 3.14 | 4.22 | 2.72 |
| P/E ratio net | 22.88 | 22.97 | 23.29 | 23.12 | 23.35 | 22.60 | 25.41 | 15.80 |
| P/E ratio nil | 22.73 | 22.88 | 23.15 | 23.03 | 23.28 | N/A | 26.19 | 15.71 |

FT 30 since compilation: high 4004.8 7/7/98; low 49.4 26/6/40. Base Date: 1/7/35.

FT 30 hourly changes

| 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|
| 3601.0 | 3576.6 | 3580.2 | 3582.8 | 3574.4 | 3584.2 | 3588.5 | 3585.6 | 3610.5 | 3569.8 |

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## STOCK MARKET TRADING DATA

| | Feb 8 | Feb 5 | Feb 4 | Feb 3 | Feb 2 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 74,722 | 74,587 | 73,958 | 77,586 | 77,222 | na |
| Equity turnover (£m)† | - | 4178.2 | 6298.2 | 4639.5 | 4491.3 | na |
| Equity bargains† | - | 84,651 | 84,046 | 86,474 | 87,615 | na |
| Shares traded (mil)† | - | 1109.6 | 1284.2 | 1172.9 | 1209.8 | na |
| Total market bargains‡ | - | na | 74,083 | 77,886 | 80,097 | - |
| Total turnover (£m)‡ | - | na | 6234.0 | 5766.7 | 5020.7 | - |
| Total shrs traded (mil)‡ | *1010.9 | na | 1503.1 | 1433.1 | 1448.3 | - |
| Tradepoint turnover (£m) | 26.8 | 28.5 | 38.8 | 33.5 | 29.4 | 20.9 |
| Tradepoint shrs traded(m) | 11.9 | 12.3 | 12.5 | 6.9 | 12.7 | 9.9 |

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 790 | Total Highs | 36 | Total contracts | 23,576 |
| Total Falls | 701 | Total Lows | 41 | Calls | 11,676 |
| Same | 1,373 | | | Puts | 11,900 |

Feb 8 *Data based on Equity shares listed on the London Share Service.

## FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 5818.0 | 5835.0 | -3.0 | 5882.0 | 5780.0 | 21464 | 108142 |
| Jun | 5850.0 | 5870.5 | -5.0 | 5886.0 | 5850.0 | 300 | 17985 |
| Sep | 5967.0 | 5912.0 | -7.5 | 5887.0 | 5880.0 | 51 | 1700 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | | 5200.0 | -10.0 | | | 0 | 6885 |
| Jun | | 5217.0 | -10.0 | | | 0 | 300 |

■ FTSE 100 INDEX OPTION (LIFFE) (*5835) £10 per full index point Feb 8

| | 5650 C | 5650 P | 5700 C | 5700 P | 5750 C | 5750 P | 5800 C | 5800 P | 5850 C | 5850 P | 5900 C | 5900 P | 5950 C | 5950 P | 6000 C | 6000 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 234 | 58 | 218 | 72½ | 181½ | 87½ | 155½ | 107½ | 123½ | 130½ | 98½ | 155 | 78½ | 186 | 59½ | 219 |
| Mar | 358½ | 178 | 327½ | 196 | 298 | 222 | 268 | 237½ | 238½ | 258½ | 210 | 279½ | 186½ | 306 | 163½ | 336½ |
| Apr | 465 | 248½ | 427½ | 268 | 392 | 290 | 360½ | 310½ | 329 | 331 | 297½ | 352 | 268½ | 374½ | 243½ | 403 |
| May | 535 | 319 | 493½ | 338 | 462½ | 364½ | 431 | 382½ | 400½ | 401 | 368½ | 420 | 339 | 449 | 314½ | 466 |
| Jun† | | | 546½ | 286½ | | | 465½ | 430 | | | 498 | 470½ | | | 385 | 536 |

Calls 402 Puts 1,464

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Feb 8

| | 5675 C | 5675 P | 5725 C | 5725 P | 5775 C | 5775 P | 5825 C | 5825 P | 5875 C | 5875 P | 5925 C | 5925 P | 5975 C | 5975 P | 6025 C | 6025 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 231 | 61 | 196 | 78 | 164½ | 94½ | 134 | 114 | 107 | 137 | 84 | 164 | 65 | 195 | 46½ | 228 |
| Mar | 343 | 184 | 311½ | 202½ | 280½ | 220½ | 251 | 241 | 228 | 265 | 199½ | 290 | 175 | 314 | 152 | 346½ |
| Apr | 498½ | 256½ | 384½ | 274 | 355½ | 292½ | 334½ | 312½ | 308½ | 334 | 280 | 357 | 255½ | 398 | 228 | 405 |
| Jun | | | 533 | 380 | | | 474 | 428½ | | | 437½ | 478½ | | | 393 | 514½ |
| Sept | | | 668½ | 507½ | | | 624 | 549 | | | 571 | 548 | | | 698 | 630½ |

Calls 3,347 Puts 5,663 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

## LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1998/99 High | Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 15.0 | 100 | 95 | AIM VCT | 100 | | - | - | - | - |
| - | F.P. | - | 85½ | 38 | Abbey Natl Dublin | 38 | | - | - | - | - |
| § | F.P. | 36.8 | 123 | 110½ | BFS G'ssee Inc | 120 | +½ | W12.65 | - | 10.6 | - |
| § | F.P. | 3.82 | 101½ | 56 | Do Cap | 98 | -½ | - | - | - | - |
| - | F.P. | 15.0 | 100 | 90 | Close Bros Dev VCT | 100 | | - | - | - | - |
| • | F.P. | 36.9 | 7¼ | 7 | Gower Properties | 7 | | - | - | - | - |
| § | F.P. | 47.2 | 100½ | 94½ | Jupiter Enhanced | 98 | | - | - | - | - |
| § | F.P. | 47.4 | 112 | 103¾ | Do Zero Div Prf | 109¾ | -½ | - | - | - | - |
| § | F.P. | 15.0 | 100 | 100 | Singer&Frd AIM VCT | 100 | | - | - | - | - |
| - | F.P. | 27.0 | 98 | 87½ | Yeoman II IT Inc | 87½ | | W8.8 | - | 10.1 | - |
| - | F.P. | 2.61 | 8 | 4½ | Do Cap | 5½ | | - | - | - | - |
| - | F.P. | 31.8 | 117½ | 102 | Do Zero Div Prf | 116¾ | -¼ | - | - | - | - |
| - | F.P. | - | 104 | 99 | Do Equity Gwth | 103 | | - | - | - | - |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

## RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renun. date | 1998/99 High | Low | Stock | Closing price p | +or- |
|---|---|---|---|---|---|---|---|
| 49 | Nil | 25/2 | 14pm | 14pm | Ambient Media | 14pm | |

pm premium.

## *FTSE* GOLD MINES INDEX

| | Feb 8 | % chg on day | Feb 4 | Year ago | Gross div yield % | Total return | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (30) | 878.74 | 0.8 | 867.86 | 1129.57 | 1.96 | 932.89 | 1391.57 | 761.88 |
| ■ Regional Indices | | | | | | | | |
| Africa (9) | 1094.80 | 1.7 | 1017.57 | 1240.42 | 4.26 | 1048.05 | 1488.04 | 786.93 |
| Australasia (8) | 1208.44 | 0.6 | 1201.25 | 1384.47 | 2.59 | 1219.92 | 1680.53 | 815.93 |
| Americas (11) | 924.40 | 0.6 | 918.53 | 1058.72 | 0.78 | 928.90 | 1317.41 | 647.50 |

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## *FTSE* Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | £ Stlg Feb 8 | Day's chge% | Euro Index | £ Stlg Feb 5 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5834.9 | -0.3 | 6604.2 | 5855.3 | 5800.9 | 2.76 | 2.36 | 1.91 | 23.71 | 2.64 | 2584.53 |
| FTSE 250 | 5205.4 | -0.1 | 5891.7 | 5211.5 | 4978.3 | 3.22 | 2.78 | 2.14 | 18.17 | 6.39 | 2267.40 |
| FTSE 250 ex Inv Tr | 5240.2 | -0.1 | 5931.1 | 5244.9 | 5004.9 | 3.35 | 2.89 | 2.22 | 16.86 | 6.43 | 2292.69 |
| FTSE 350 | 2783.5 | -0.3 | 3150.5 | 2792.2 | 2689.8 | 2.89 | 2.43 | 1.95 | 22.62 | 1.61 | 2520.48 |
| FTSE 350 ex Inv Tr | 2788.5 | -0.3 | 3156.2 | 2797.3 | 2675.1 | 2.85 | 2.44 | 1.96 | 22.38 | 1.58 | 1295.20 |
| FTSE 350 Higher Yield | 2604.5 | -0.1 | 2947.9 | 2607.1 | 2663.6 | 3.93 | 3.34 | 1.86 | 17.16 | 1.37 | 2024.96 |
| FTSE 350 Lower Yield | 2971.8 | -0.6 | 3363.3 | 2987.0 | 2692.1 | 1.75 | 1.59 | 2.16 | 32.98 | 1.86 | 2177.21 |
| FTSE SmallCap | 2217.12 | +0.3 | 2509.44 | 2209.86 | 2416.69 | 3.86 | 3.03 | 2.09 | 16.33 | 4.05 | 1961.82 |
| FTSE SmallCap ex Inv Tr | 2167.42 | +0.5 | 2475.82 | 2177.31 | 2405.45 | 3.89 | 3.22 | 2.21 | 14.53 | 4.00 | 1957.54 |
| FTSE All-Share | 2692.85 | -0.3 | 3047.89 | 2700.41 | 2600.77 | 2.87 | 2.46 | 1.96 | 22.20 | 1.72 | 2475.04 |
| FTSE All-Share ex Inv Tr | 2701.60 | -0.3 | 3057.80 | 2709.20 | 2608.19 | 2.89 | 2.48 | 1.98 | 21.88 | 1.68 | 1277.62 |
| FTSE Fledgling | 1218.66 | +0.5 | 1379.36 | 1212.39 | 1310.71 | 4.08 | 3.32 | 1.40 | 21.82 | 2.04 | 1374.65 |
| FTSE Fledgling ex Inv Tr | 1229.56 | +0.7 | 1391.67 | 1221.15 | 1329.00 | 4.86 | 3.79 | 1.46 | 18.46 | 2.17 | 1394.79 |
| FTSE All-Small | 1258.08 | +0.4 | 1423.93 | 1253.44 | 1367.73 | 3.75 | 3.09 | 1.93 | 17.24 | 2.28 | 1421.04 |
| FTSE All-Small ex Inv Tr | 1265.08 | +0.6 | 1431.86 | 1258.66 | 1388.48 | 4.04 | 3.34 | 2.04 | 15.18 | 2.30 | 1439.63 |
| FTSE AIM | 836.9 | +0.6 | 947.3 | 832.2 | 990.8 | 1.29 | 1.06 | 1.03 | 80.00† | 0.81 | 778.86 |

■ *FTSE* Actuaries Industry Sectors

| | £ Stlg Feb 8 | Day's chge% | Euro Index | £ Stlg Feb 5 | Year ago | Gross yield% | Net yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 RESOURCES(18) | 4049.66 | +1.2 | 4583.62 | 4002.63 | 4472.66 | 3.58 | 3.12 | 1.17 | 29.72 | 0.47 | 1890.15 |
| 12 Extractive Industries(6) | 2959.17 | +5.6 | 3349.33 | 2802.11 | 3147.84 | 4.58 | 4.23 | 2.06 | 13.26 | 3.75 | 935.76 |
| 15 Oil, Integrated(3) | 4708.96 | +0.6 | 5329.82 | 4680.98 | 4913.48 | 3.48 | 2.98 | 1.06 | 34.08 | 0.00 | 2259.54 |
| 18 Oil Exploration & Prod(9) | 1329.23 | +5.9 | 1504.49 | 1254.66 | 3401.74 | 4.19 | 3.66 | 0.97 | 30.78 | 0.00 | 832.42 |
| 20 GEN INDUSTRIALS(180) | 1882.11 | +0.2 | 2130.26 | 1876.50 | 1973.41 | 3.69 | 3.26 | 2.32 | 14.63 | 2.18 | 1127.88 |
| 21 Construction(37) | 1324.53 | +0.3 | 1499.16 | 1320.05 | 1413.38 | 3.84 | 3.14 | 3.06 | 10.64 | 1.03 | 1202.80 |
| 22 Building Matls & Merchs(23) | 1653.79 | -0.3 | 1871.84 | 1659.05 | 1654.52 | 4.55 | 3.95 | 2.11 | 13.00 | 0.33 | 922.69 |
| 23 Chemicals(20) | 1911.46 | — | 2163.49 | 1911.99 | 2611.82 | 4.76 | 4.49 | 2.00 | 13.15 | 1.44 | 994.53 |
| 24 Diversified Industrials(4) | 1072.50 | +0.6 | 1213.90 | 1066.06 | 1320.31 | 6.11 | 5.39 | 1.08 | 18.93 | 5.26 | 684.11 |
| 25 Electronic & Elect Equip(28) | 2818.51 | +0.6 | 3190.12 | 2801.25 | 2149.37 | 2.71 | 2.31 | 1.99 | 23.15 | 0.07 | 1579.56 |
| 26 Engineering(53) | 2395.27 | +0.4 | 2711.08 | 2385.56 | 2676.68 | 3.51 | 3.09 | 2.37 | 14.99 | 5.96 | 1580.93 |
| 27 Engineering, Vehicles(10) | 4151.97 | -0.5 | 4699.39 | 4172.55 | 3493.38 | 2.18 | 1.98 | 3.23 | 17.94 | 0.35 | 2313.66 |
| 28 Paper, Pckg & Printing(18) | 1716.30 | +0.3 | 1942.58 | 1711.17 | 2047.11 | 6.09 | 5.65 | 2.36 | 8.69 | 2.42 | 793.87 |
| 30 CONSUMER GOODS(92) | 5812.06 | -0.7 | 6578.37 | 5855.74 | 5713.80 | 2.30 | 2.13 | 1.95 | 27.88 | 0.28 | 2324.76 |
| 32 Alcoholic Beverages(6) | 3555.53 | -1.4 | 4024.31 | 3604.81 | 3308.63 | 3.48 | 3.23 | 2.13 | 16.89 | 0.34 | 1425.47 |
| 33 Food Producers(26) | 3383.39 | -0.3 | 3829.48 | 3391.87 | 3578.19 | 2.86 | 2.30 | 2.31 | 20.41 | 0.10 | 1658.51 |
| 34 Household Goods & Textls(14) | 2269.08 | +0.4 | 2568.26 | 2259.28 | 3178.20 | 4.51 | 4.09 | 1.85 | 14.19 | 0.80 | 974.71 |
| 36 Health Care(14) | 2422.52 | -0.3 | 2741.92 | 2428.84 | 2364.61 | 2.13 | 1.96 | 2.11 | 27.81 | 1.38 | 1565.41 |
| 37 Pharmaceuticals(20) | 10381.73 | -1.0 | 11750.53 | 10489.30 | 10357.66 | 1.67 | 1.60 | 1.62 | 48.14 | 0.08 | 3741.16 |
| 38 Tobacco(3) | 7532.91 | +1.0 | 8526.10 | 7460.51 | 4951.89 | 4.17 | 3.81 | 2.23 | 13.43 | 0.00 | 2146.42 |
| 40 SERVICES(264) | 3722.31 | -0.1 | 4213.09 | 3724.92 | 3026.34 | 2.30 | 1.91 | 2.10 | 25.87 | 5.23 | 2073.84 |
| 41 Distributors(25) | 1936.50 | +0.2 | 2191.82 | 1932.64 | 2483.20 | 4.85 | 4.04 | 2.03 | 12.73 | 1.12 | 777.99 |
| 42 Leisure & Hotels(31) | 3492.62 | +1.3 | 3953.11 | 3447.65 | 3420.30 | 2.62 | 2.33 | 2.85 | 16.74 | 19.09 | 2007.47 |
| 43 Media(47) | 4968.48 | +0.3 | 5623.56 | 4954.76 | 4016.64 | 2.09 | 1.77 | 2.14 | 28.06 | 0.13 | 1899.13 |
| 44 Retailers, Food(13) | 2850.26 | -0.9 | 2899.89 | 2874.10 | 2821.62 | 3.44 | 2.76 | 2.17 | 18.74 | 4.19 | 1830.58 |
| 45 Retailers, General(41) | 2136.51 | +0.2 | 2418.20 | 2133.22 | 2373.05 | 3.50 | 2.81 | 2.06 | 17.32 | 5.33 | 1325.21 |
| 46 Telecommunications(7) | 5810.12 | -0.2 | 6576.17 | 5819.36 | 3232.42 | 1.55 | 1.27 | 1.59 | 50.88 | 4.13 | 2865.98 |
| 47 Breweries, Pubs & Rest.(22) | 3712.84 | +0.3 | 4202.36 | 3701.09 | 3713.59 | 3.39 | 2.75 | 2.20 | 16.74 | 12.80 | 1933.57 |
| 48 Support Services(59) | 5148.23 | -0.5 | 5827.01 | 5174.66 | 3985.53 | 1.21 | 1.04 | 2.83 | 36.51 | 1.46 | 3413.19 |
| 49 Transport(29) | 3523.28 | -0.5 | 3987.81 | 3541.48 | 2980.56 | 2.98 | 2.50 | 2.09 | 20.21 | 7.87 | 1594.35 |
| 60 UTILITIES(20) | 4085.39 | +1.0 | 4624.04 | 4048.72 | 3728.56 | 3.92 | 3.32 | 1.57 | 19.02 | 1.38 | 1988.41 |
| 62 Electricity(7) | 4694.46 | +1.4 | 5313.41 | 4627.52 | 4177.93 | 4.30 | 3.50 | 1.71 | 16.97 | 0.00 | 2804.36 |
| 64 Gas Distribution(2) | 3209.85 | -0.2 | 3633.06 | 3214.68 | 2840.33 | 2.11 | 1.69 | ‡ | ‡ | 0.00 | 1671.03 |
| 68 Water(11) | 3293.83 | +1.2 | 3727.88 | 3255.98 | 3252.24 | 5.09 | 4.69 | 2.38 | 10.35 | 4.52 | 2078.50 |
| 69 NON-FINANCIALS(684) | 2776.28 | — | 3142.32 | 2775.14 | 2570.50 | 2.77 | 2.40 | 1.90 | 23.76 | 2.22 | 2292.91 |
| 70 FINANCIALS(120) | 4978.42 | -1.3 | 5634.81 | 5043.57 | 5448.89 | 3.28 | 2.72 | 2.18 | 17.47 | 0.27 | 2331.45 |
| 71 Banks, Retail(12) | 7311.09 | -1.3 | 8275.04 | 7410.26 | 8078.53 | 3.51 | 2.81 | 2.14 | 16.66 | 0.00 | 2591.97 |
| 73 Insurance(21) | 2190.61 | -1.9 | 2479.44 | 2232.26 | 2423.02 | 3.01 | 2.85 | 2.05 | 20.23 | 0.12 | 1836.85 |
| 74 Life Assurance(6) | 7405.94 | -2.1 | 8382.39 | 7561.80 | 6868.22 | 2.60 | 2.25 | 2.70 | 17.81 | 0.00 | 3338.58 |
| 77 Other Financial(31) | 3785.71 | +0.7 | 4284.84 | 3760.85 | 4103.32 | 2.92 | 2.42 | 2.53 | 16.91 | 0.87 | 2339.08 |
| 79 Property(49) | 1767.35 | +0.3 | 2000.37 | 1761.27 | 2321.35 | 3.53 | 3.01 | 1.61 | 22.04 | 1.01 | 1178.48 |
| 80 INVESTMENT TRUSTS(117) | 3693.59 | -0.3 | 4180.57 | 3703.69 | 3617.12 | 2.25 | 1.88 | 1.16 | 47.83 | 4.68 | 1360.40 |
| 89 FTSE All-Share(831) | 2692.85 | -0.3 | 3047.89 | 2700.41 | 2600.77 | 2.87 | 2.46 | 1.96 | 22.20 | 1.72 | 2475.04 |
| 105 FTSE All-Share ex Inv Tr(714) | 2701.60 | -0.3 | 3057.80 | 2709.20 | 2608.19 | 2.89 | 2.48 | 1.98 | 21.88 | 1.68 | 1277.62 |
| Information Technology | 1764.76 | -0.5 | 2020.08 | 1794.61 | 1239.09 | 0.52 | 0.43 | 4.53 | 83.29 | 0.93 | 1795.10 |

■ Hourly movements

| | 9.03 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 5867.4 | 5821.9 | 5834.0 | 5799.8 | 5819.2 | 5844.9 | 5853.4 | 5837.9 | 5789.6 | 5868.3 |
| FTSE 250 | 5209.2 | 5223.4 | 5213.5 | 5210.9 | 5208.6 | 5210.7 | 5208.6 | 5204.5 | 5223.5 | 5203.7 |
| FTSE 350 | 2796.8 | 2779.8 | 2783.6 | 2769.9 | 2777.5 | 2788.0 | 2791.2 | 2784.6 | 2796.8 | 2768.1 |
| FTSE SmallCap | 2214.56 | 2215.61 | 2215.77 | 2216.27 | 2215.65 | 2216.34 | 2216.28 | 2216.11 | 2217.12 | 2212.36 |
| FTSE All-Share | 2704.90 | 2689.37 | 2693.07 | 2680.26 | 2687.23 | 2696.93 | 2699.89 | 2693.82 | 2704.90 | 2676.78 |

Time of FTSE 100 Day's high: 9:02:00 Day's low: 12:01:00. FTSE 100 1998 High: 6179.0 (08/02/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 9:03:00 Day's low: 12:02:00. FTSE All-Share 1998 High: 2685.30 (20/07/98) Low: 2100.07 (05/10/98)
Further information is available on http://www.ftse.com. © FTSE International Limited 1999. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Datellon Solvers (FTSE Fledgling).

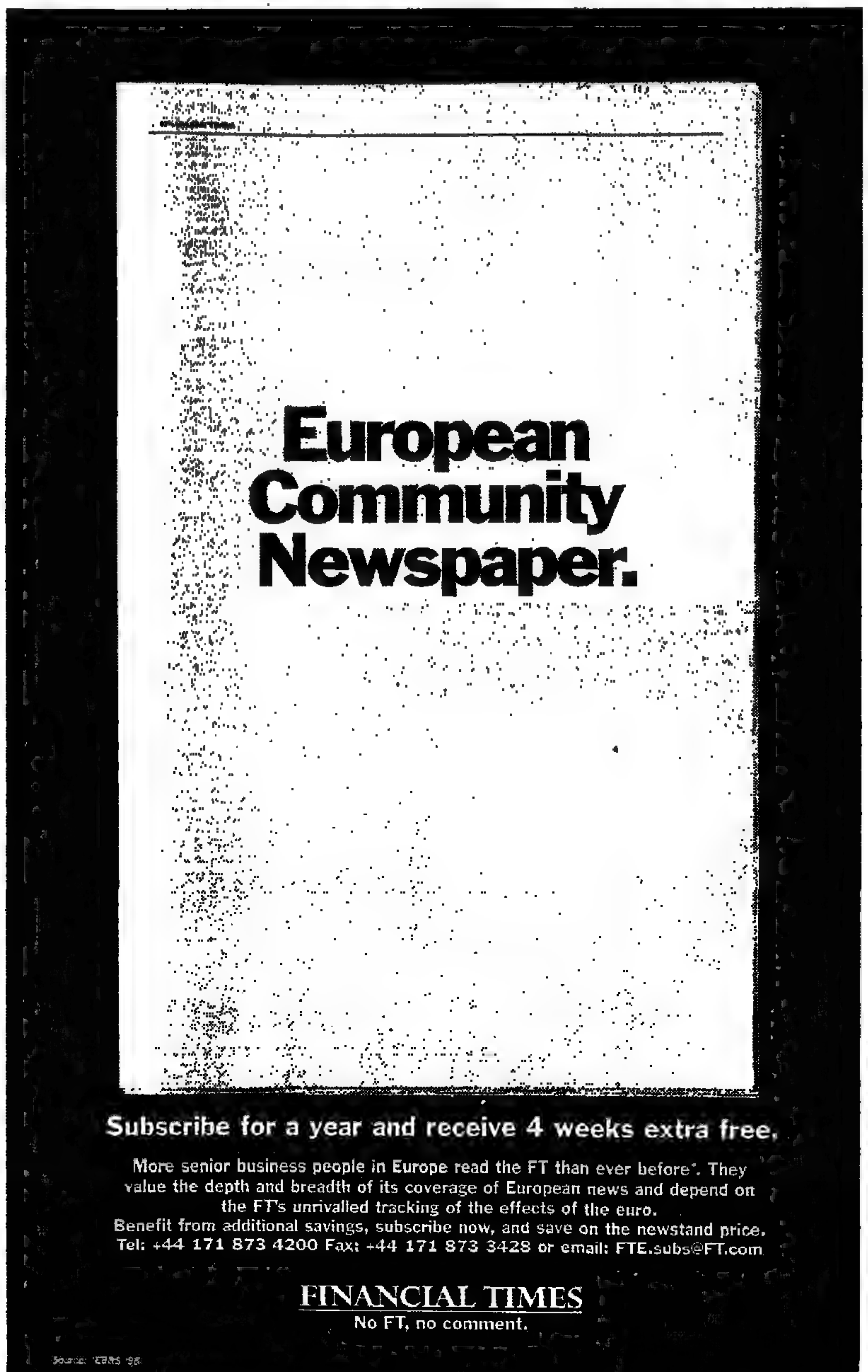
FTSE INTERNATIONAL

## TRADING VOLUME

■ Major Stocks yesterday.

| | Vol 000's | Closing price | Day's change |
|---|---|---|---|
| 3i | 1,700 | 659 | -3½ |
| AMVESCAP | 1,800 | 538 | +17½ |
| ASDA Group | 10,100 | 169½ | -3½ |
| Abbey National | 1,800 | 1181 | -8 |
| Alliance & Leicester | 1,100 | 749 | -19 |
| Allied Domecq | 5,100 | 470 | -1 |
| Allied Zurich | 4,100 | 866 | -14 |
| Anglian Water | 1,500 | 787½ | -15 |
| Assoc. Brit. Foods | 391 | 552½ | -8½ |
| BAA | 1,700 | 740 | +6 |
| BOC | 390 | 868 | +10 |
| BG | 6,600 | 362 | +1½ |
| BP Amoco | 17,000 | 894½ | +7 |
| BSkyB | 3,100 | 419½ | +9½ |
| BT | 9,400 | 935 | +7½ |
| BTR Siebe | 2,800 | 244½ | -7½ |
| Bank of Scotland | 3,700 | 818 | -20½ |
| Barclays | 3,300 | 1576 | -42 |
| Bass | 1,500 | 849½ | -7 |
| Billiton | 16,400 | 126 | +11 |
| Blue Circle | 1,500 | 337½ | -8½ |
| Boots | 1,800 | 1012½ | +9½ |
| Britannic Assurance† | 35 | 1230 | -15 |
| Brit. Aerospace | 8,800 | 441½ | +15 |
| British Airways | 8,200 | 381½ | -10½ |
| Brit. Amer. Tobacco | 1,700 | 613½ | +12½ |
| British Energy | 2,700 | 665 | -8 |
| British Land† | 2,000 | 498 | -4 |
| CGU | 3,800 | 862½ | -27½ |
| CRH | 105 | 1748 | -42 |
| COLT Telecom | 1,400 | 1072½ | -40½ |
| Cable & Wireless | 4,400 | 839 | -9½ |
| Cadbury Schweppes | 3,300 | 912½ | +19½ |
| Carlton Comms. | 2,700 | 648½ | -18½ |
| Centrica | 6,500 | 119½ | -2 |
| Compass | 2,000 | 715 | -2 |
| Daily Mail & Gen. | 181 | 3125 | +6 |
| Diageo | 6,300 | 657½ | -10 |
| Dixons | 4,900 | 1040 | +69 |
| EMI | 9,300 | 433½ | +34 |
| Foreign & Col. I T | 687 | 165½ | +5 |
| General Electric | 4,400 | 529½ | +9½ |
| Gallaher | 1,600 | 414½ | -38½ |
| Glaxo Wellcome | 6,400 | 1897 | -66 |
| Granada | 1,700 | 1134½ | -40 |
| GUS | 3,400 | 702½ | -8 |
| GRE | 4,300 | 351½ | -16½ |
| GKN | 1,500 | 882 | -7 |
| HSBC (75p shs) | 1,800 | 1581 | -16 |
| HSBC (HK$10) | 1,800 | 1478 | -7 |
| Halifax | 3,800 | 803 | -9 |
| Hanson | 1,200 | 458 | -4½ |
| Hays | 4,800 | 536½ | -18½ |
| ICI | 1,000 | 538 | -19 |
| Imperial Tobacco | 415 | 667½ | +20 |
| Kingfisher | 3,500 | 677½ | -7½ |
| Ladbroke | 27,200 | 269 | +38 |
| Land Securities | 1,000 | 781 | +4 |
| Legal & General | 1,400 | 857 | -27½ |
| Lloyds TSB | 19,200 | 771 | -7½ |
| LucasVarity | 3,700 | 230½ | +½ |
| Marks & Spencer | 5,700 | 391½ | -2 |
| NatWest Bank | 2,700 | 1144 | -39 |
| National Grid | 3,600 | 481½ | -9 |
| National Power | 5,800 | 488 | -23 |
| Northern Rock† | 1,300 | 451 | -4 |
| Norwich Union | 1,800 | 457 | -5 |
| Orange | 8,800 | 851 | -41 |
| Pearson | 1,800 | 1201 | +15 |
| P & O | 2,900 | 658½ | +1½ |
| PowerGen | 1,500 | 824 | +10½ |
| Prudential | 6,300 | 880 | -25½ |
| Railtrack | 1,200 | 1587½d | -35½ |
| Reckitt & Colman | 3,900 | 882 | -2 |
| Reed Intl. | 2,800 | 538 | -7½ |
| Rentokil Initial | 3,000 | 446½ | +5 |
| Reuters | 3,500 | 898 | +47½ |
| Rio Tinto | 3,700 | 790 | +39 |
| Rolls Royce | 6,300 | 265 | +7½ |
| Royal & Sun Alliance | 6,400 | 471 | -4½ |
| Royal Bank Scotland | 2,400 | 1178½ | -13 |
| Safeway | 4,700 | 276½ | -2 |
| Sainsbury | 8,600 | 383½ | -6½ |
| Schroders | 143 | 1148 | +7 |
| Schroders N/V | 21 | 915½ | +8 |
| Scottish & Newcastle | 777 | 734 | +5 |
| Scot. & Sthn Energy | 4,800 | 687½ | +9½ |
| Scottish Power | 6,400 | 607 | -7 |
| Securicor | 5,400 | 551 | +2 |
| Severn Trent | 821 | 929 | +13 |
| Shell Transport | 27,200 | 346½ | +9½ |
| SmithKline Beecham | 7,000 | 798½ | -2 |
| Smiths Inds. | 1,100 | 875 | -8 |
| Stagecoach | 2,700 | 249½ | -31 |
| Standard Chartered | 2,300 | 687 | -12 |
| Sun Life & Provincial | 838 | 482 | -8 |
| TeleWest Comms. | 5,500 | 249 | -8 |
| Tesco | 14,800 | 182½ | +6 |
| Thames Water | 1,400 | 1089 | +2 |
| Tomkins | 3,800 | 237½ | -4 |
| Unilever | 4,100 | 580 | -3½ |
| Utd. News & Media | 939 | 665½ | -14 |
| United Utilities | 1,300 | 788½ | +12 |
| Vodafone | 12,900 | 1076½ | -13 |
| WPP | 3,100 | 484 | -6 |
| Whitbread | 787 | 827½ | -7½ |
| Williams | 2,400 | 325 | -5 |
| Woolwich | 2,900 | 320½ | -5 |
| Zeneca | 4,400 | 2619 | -11 |

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Extel, part of FT information.

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هكذا من الأصل



Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

## EUROPE (EMU) Prices in €

AUSTRIA (Feb 8) 1 € = 13.76030 Sch

[illegible]

BELGIUM/LUX (Feb 8) 1 € = 40.33990 Frs.

[illegible]

FINLAND (Feb 8) 1 € = 5.94573 Mka

[illegible]

FRANCE (Feb 8) 1 € = 6.55957 Frs.

[illegible]

GERMANY (Feb 8) 1 € = 1.95583 Dm.

[illegible]

IRELAND (Feb 8) 1 € = 0.78756 Punt

[illegible]

ITALY (Feb 8) 1 € = 1936.27000 Lire

[illegible]

NETHERLANDS (Feb 8) 1 € = 2.20371 Fl.

[illegible]

PORTUGAL (Feb 8) 1 € = 200.48200 Esc.

[illegible]

SPAIN (Feb 8) 1 € = 166.38600 Pts.

[illegible]

## EUROPE (NON-EMU)

CZECH REP (Feb 8 / Koruna)

[illegible]

DENMARK (Feb 8 / Kr)

[illegible]

GREECE (Feb 8 / Drachma)

[illegible]

NORWAY (Feb 8 / Kroner)

[illegible]

POLAND (Feb 8 / Zloty)

[illegible]

SWEDEN (Feb 8 / Kronor)

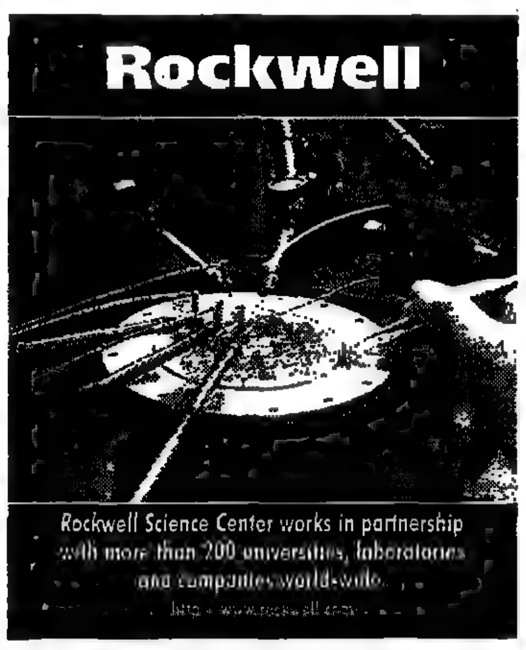
[illegible]

SWITZERLAND (Feb 8 / Frs.)

[illegible]

TURKEY (Feb 8 / Tk Lira)

[illegible]



## PACIFIC

JAPAN (Feb 8 / Yen)

[illegible]

AUSTRALIA (Feb 8 / Aust$)

[illegible]

HONG KONG (Feb 8 / HK$)

[illegible]

INDONESIA (Feb 8 / Rupiah)

[illegible]

MALAYSIA (Feb 8 / MYR)

[illegible]

NEW ZEALAND (Feb 8 / NZ $)

[illegible]

SINGAPORE (Feb 8 / S$)

[illegible]

SOUTH KOREA (Feb 8 / Won)

[illegible]

TAIWAN (Feb 8 / TW $)

[illegible]

THAILAND (Feb 8 / Baht)

[illegible]

## AMERICAS

CANADA

TORONTO (Feb 8 / Can $) 3:30 pm

[illegible]

MONTREAL (Feb 8 / Can $) 3:30 pm

[illegible]

MEXICO (Feb 8 / Peso) 12.30 pm

[illegible]

## AFRICA

SOUTH AFRICA (Feb 8 / Rand)

[illegible]

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY FEBRUARY 5 1999 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY FEBRUARY 4 1999 US Dollar Index | Pound Sterling Index | Yen Index | Euro Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (75) | 217.66 | 0.4 | 196.94 | 155.40 | 222.07 | 221.82 | -0.8 | 3.31 | 216.72 | 196.15 | 153.73 | 221.03 | 223.84 | 219.96 | 163.86 | 209.50 |
| Austria (21) | 178.38 | 1.3 | 159.59 | 125.93 | 158.79 | 158.79 | 1.3 | 2.10 | 174.18 | 157.56 | 123.58 | 158.75 | 155.75 | 253.73 | 165.27 | 202.80 |
| Belgium (22) | 408.84 | 0.2 | 369.93 | 291.90 | 360.36 | 360.36 | 0.3 | 1.87 | 407.87 | 369.17 | 289.33 | 359.38 | 359.38 | 440.95 | 273.16 | 273.16 |
| Brazil (29) | 104.94 | -5.2 | 94.95 | 74.93 | 107.07 | 355.43 | -3.1 | 6.53 | 110.75 | 100.24 | 78.56 | 112.95 | 366.94 | 269.34 | 89.32 | 226.31 |
| Canada (113) | 211.72 | 0.2 | 191.67 | 151.18 | 216.01 | 226.17 | -0.3 | 1.74 | 211.36 | 191.31 | 149.93 | 215.57 | 228.89 | 248.78 | 159.94 | 215.09 |
| Denmark (34) | 473.19 | -0.3 | 428.15 | 337.85 | 482.77 | 423.93 | -0.3 | 1.66 | 474.52 | 429.50 | 336.60 | 483.96 | 425.12 | 537.33 | 420.12 | 488.39 |
| Finland (29) | 599.80 | -2.3 | 542.71 | 428.24 | 663.11 | 663.11 | -2.3 | 1.71 | 614.00 | 555.74 | 436.54 | 678.58 | 678.58 | 661.25 | 312.12 | 316.84 |
| France (73) | 327.54 | -0.5 | 296.37 | 233.86 | 298.61 | 298.61 | -0.5 | 2.10 | 329.27 | 298.03 | 233.57 | 300.08 | 300.08 | 354.45 | 246.64 | 252.18 |
| Germany (55) | 271.81 | 0.1 | 245.94 | 194.06 | 244.87 | 244.87 | 0.1 | 1.34 | 271.66 | 245.89 | 192.71 | 244.66 | 244.66 | 325.61 | 226.35 | 247.26 |
| Greece (38) | 412.08 | -0.2 | 372.84 | 294.20 | 420.40 | 842.44 | 0.0 | 1.01 | 412.73 | 373.57 | 292.77 | 420.94 | 842.50 | 418.59 | 211.47 | – |
| Hong Kong, China (66) | 273.09 | -2.5 | 247.10 | 194.98 | 278.62 | 271.69 | -2.5 | 4.47 | 280.19 | 253.60 | 198.75 | 285.77 | 278.75 | 362.55 | 196.64 | 335.51 |
| Indonesia (24) | 48.42 | -1.1 | 43.81 | 34.57 | 49.40 | 260.66 | -0.5 | 1.17 | 48.95 | 44.30 | 34.72 | 48.92 | 262.00 | 64.52 | 19.04 | 50.41 |
| Ireland (14) | 545.27 | -1.6 | 493.37 | 389.31 | 536.12 | 536.12 | -1.6 | 1.78 | 554.41 | 501.80 | 393.27 | 544.92 | 544.92 | 605.85 | 396.15 | 453.89 |
| Italy (53) | 165.96 | -0.1 | 150.17 | 118.49 | 212.63 | 212.63 | -0.1 | 1.31 | 166.19 | 150.42 | 117.89 | 212.85 | 212.85 | 192.64 | 128.68 | 135.17 |
| Japan (445) | 100.05 | -1.2 | 90.53 | 71.43 | 102.08 | 71.43 | -0.5 | 1.05 | 101.25 | 91.65 | 71.82 | 103.27 | 71.82 | 109.73 | 76.83 | 107.95 |
| Mexico (29) | 1149.78 | 0.5 | 1040.34 | 820.91 | 1173.05 | 12677.91 | 0.0 | 2.02 | 1144.67 | 1036.06 | 811.98 | 1167.44 | 12677.91 | 1738.73 | 787.15 | 1618.15 |
| Netherlands (26) | 500.25 | 1.1 | 452.63 | 357.16 | 445.79 | 445.79 | 1.2 | 2.12 | 494.59 | 447.66 | 350.84 | 440.60 | 440.60 | 562.73 | 394.92 | 425.88 |
| New Zealand (18) | 67.26 | -0.5 | 60.88 | 48.04 | 68.65 | 64.77 | -0.5 | 4.51 | 67.65 | 61.23 | 47.99 | 69.00 | 65.08 | 77.84 | 45.68 | 75.49 |
| Norway (37) | 240.39 | 0.4 | 217.51 | 171.63 | 245.26 | 250.12 | 0.6 | 2.30 | 239.41 | 216.69 | 169.82 | 244.17 | 246.89 | 357.71 | 181.86 | 305.67 |
| Philippines (22) | 86.62 | -0.2 | 78.37 | 61.84 | 88.37 | 166.62 | -0.2 | 0.98 | 86.78 | 78.54 | 61.55 | 88.50 | 166.93 | 106.98 | 42.48 | 87.72 |
| Portugal (18) | 261.77 | 0.1 | 236.95 | 186.89 | 318.25 | 318.25 | 0.2 | 1.03 | 261.36 | 236.56 | 185.40 | 317.66 | 317.66 | 299.39 | 194.13 | – |
| Singapore (40) | 199.44 | -1.3 | 180.45 | 142.39 | 203.47 | 196.09 | -1.3 | 1.83 | 202.02 | 182.85 | 143.31 | 206.04 | 157.10 | 246.74 | 102.45 | 215.61 |
| South Africa (36) | 197.32 | [illegible] | 178.54 | 140.88 | 201.32 | 258.77 | 2.2 | 3.47 | 191.24 | 173.09 | 135.65 | 195.04 | 253.10 | 346.20 | 151.55 | 281.04 |
| Spain (30) | 384.36 | -0.4 | 347.78 | 274.42 | 429.26 | 429.26 | -0.4 | 1.89 | 386.01 | 349.39 | 273.82 | 430.95 | 430.95 | 435.19 | 290.81 | 305.43 |
| Sweden (43) | 547.34 | 0.1 | 495.24 | 390.78 | 558.42 | 635.54 | -0.2 | 1.63 | 546.56 | 494.70 | 387.71 | 557.44 | 636.80 | 628.19 | 379.18 | 490.74 |
| Switzerland (30) | 402.54 | 0.0 | 364.33 | 287.40 | 410.09 | 353.63 | 0.0 | 1.21 | 402.45 | 364.27 | 285.49 | 410.47 | 353.73 | 441.65 | 307.73 | 371.28 |
| Thailand (31) | 21.20 | 1.3 | 19.18 | 15.14 | 21.63 | 30.27 | 1.3 | 2.92 | 20.94 | 18.95 | 14.85 | 21.38 | 29.89 | 33.84 | 8.15 | 30.27 |
| United Kingdom (207) | 373.95 | -1.3 | 338.36 | 266.99 | 381.52 | 338.36 | -1.3 | 2.88 | 378.77 | 342.83 | 268.88 | 386.90 | 342.83 | 401.84 | 307.96 | 381.27 |
| USA (615) | 511.44 | -0.8 | 462.76 | 365.15 | 521.80 | 511.44 | -0.8 | 1.28 | 515.48 | 466.57 | 365.66 | 525.74 | 515.48 | 527.72 | 390.12 | 409.59 |
| Americas (784) | 454.23 | -0.8 | 410.99 | 324.30 | 463.42 | 385.46 | -0.8 | 1.32 | 457.72 | 414.29 | 324.69 | 466.83 | 388.46 | 467.90 | 347.59 | 371.11 |
| Europe (722) | 354.33 | -0.5 | 320.61 | 252.98 | 361.51 | 328.93 | -0.5 | 2.06 | 355.95 | 322.18 | 252.50 | 363.03 | 330.47 | 386.24 | 282.63 | 312.58 |
| Eurobloc (341) | 102.72 | -0.1 | 92.95 | 73.34 | 100.16 | 100.16 | 0.0 | 1.73 | 102.80 | 93.05 | 72.92 | 100.20 | 100.20 | 113.92 | 81.53 | – |
| Nordic (143) | 513.07 | -0.6 | 464.24 | 366.32 | 523.46 | 517.62 | -0.7 | 1.80 | 515.94 | 466.98 | 365.96 | 526.20 | 521.38 | 555.97 | 360.04 | 432.91 |
| Pacific Basin (721) | 107.52 | -1.1 | 97.28 | 76.77 | 109.69 | 79.73 | -0.7 | 1.57 | 108.73 | 98.42 | 77.13 | 110.89 | 80.31 | 119.46 | 82.88 | 116.81 |
| Euro-Pacific (1443) | 210.10 | -0.7 | 190.10 | 150.00 | 214.35 | 173.33 | -0.5 | 1.92 | 211.47 | 191.40 | 150.00 | 215.67 | 174.27 | 221.79 | 168.00 | 198.45 |
| North America (726) | 491.26 | -0.8 | 444.50 | 350.75 | 501.21 | 491.93 | -0.8 | 1.30 | 494.98 | 448.01 | 351.11 | 504.82 | 495.74 | 506.43 | 374.92 | 397.21 |
| Europe Ex. UK (521) | 332.25 | -0.1 | 300.63 | 237.22 | 338.97 | 314.18 | -0.1 | 1.66 | 332.42 | 300.88 | 235.80 | 339.03 | 314.33 | 368.82 | 260.93 | 279.58 |
| Europe Ex. Eurobloc (381) | 98.49 | -0.8 | 87.31 | 68.89 | 98.45 | 96.68 | -0.9 | 2.40 | 97.32 | 88.08 | 69.03 | 99.25 | 97.56 | 103.93 | 77.40 | – |
| Europe Ex. UK Ex. Eurobloc (180) | 99.08 | 0.0 | 89.65 | 70.74 | 101.09 | 98.33 | -0.1 | 1.41 | 99.05 | 89.65 | 70.26 | 101.02 | 96.40 | 109.21 | 75.16 | – |
| Pacific Ex. Japan (276) | 180.40 | -0.8 | 163.23 | 128.80 | 184.05 | 181.25 | -1.4 | 3.60 | 181.94 | 164.68 | 129.06 | 185.56 | 183.85 | 216.04 | 128.26 | 201.31 |
| World Ex. Eurobloc (1922) | 105.28 | -0.8 | 95.26 | 75.16 | 107.41 | 103.60 | -0.8 | 1.66 | 106.14 | 96.07 | 75.29 | 108.25 | 104.41 | 108.05 | 83.09 | – |
| World Ex. US (1650) | 205.62 | -0.6 | 189.67 | 149.68 | 213.87 | 178.44 | -0.5 | 1.84 | 210.89 | 190.88 | 149.59 | 215.06 | 179.37 | 221.91 | 165.05 | 201.36 |
| World Ex. UK (2062) | 300.42 | -0.6 | 271.83 | 214.49 | 306.50 | 268.31 | -0.6 | 1.44 | 302.34 | 273.65 | 214.46 | 308.36 | 269.89 | 311.46 | 236.11 | 258.62 |
| World Ex. Japan (1818) | 409.65 | -0.6 | 370.66 | 292.48 | 417.95 | 401.26 | -0.7 | 1.65 | 412.31 | 373.18 | 292.47 | 420.51 | 403.98 | 427.98 | 320.58 | 348.64 |
| The World Index (2263) | 306.79 | -0.7 | 277.59 | 219.04 | 313.00 | 274.64 | -0.7 | 1.59 | 308.95 | 279.63 | 219.18 | 315.10 | 276.66 | 318.51 | 242.36 | 268.20 |

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## Emerging markets: IFC investable indices

| Feb 5 Market | Dollar terms | Day's % chg | % Chg since 31/12/98 |
|---|---|---|---|
| Latin America | | | |
| Argentina | 765.11 | -0.3 | -4.1 |
| Brazil | 218.56 | -5.5 | -20.5 |
| Chile | 443.74 | +0.2 | -1.7 |
| Colombia[1] | 338.35 | +1.2 | -23.0 |
| Mexico | 485.87 | +0.4 | +0.9 |
| Peru[2] | 132.14 | -0.3 | -1.7 |
| Venezuela[3] | 379.29 | -1.8 | -16.6 |
| East Asia | | | |
| China[4] | 21.61 | -1.0 | -17.5 |
| India[5] | 67.44 | -0.6 | +5.0 |
| Indonesia[6] | 22.84 | -1.4 | -6.5 |
| Korea[4] | 61.77 | +0.7 | -2.3 |
| Malaysia | 87.16 | -3.1 | -1.5 |
| Pakistan[7] | 79.50 | -0.3 | -15.9 |
| Philippines | 118.37 | -0.5 | -3.0 |
| Sri Lanka[10] | 73.35 | -0.2 | -10.9 |
| Taiwan, China[4] | 109.12 | -0.4 | -11.0 |
| Thailand | 58.84 | -0.1 | -8.9 |
| Europe | | | |
| Czech Rep | 45.86 | -1.7 | -9.6 |
| Greece | 740.24 | +0.4 | +19.5 |
| Hungary[11] | 291.09 | -1.7 | +3.7 |
| Poland[12] | 548.53 | -2.8 | +4.8 |
| Portugal | 286.84 | +0.1 | +1.8 |
| Russia | 22.70 | -1.3 | -3.2 |
| Slovakia | 44.49 | -0.2 | +2.0 |
| Turkey[14] | 144.39 | -2.8 | -1.3 |
| Mideast/Africa | | | |
| Egypt | 77.84 | | +20.8 |
| Israel | 101.96 | -0.3 | -0.3 |
| Jordan | 227.02 | -0.2 | +4.8 |
| Morocco | 174.21 | -0.1 | +3.9 |
| S Africa[15] | 135.44 | +2.2 | +8.2 |
| Zimbabwe[15] | 111.51 | +0.3 | +5.9 |
| Regions | | | |
| Composite | 183.45 | -0.3 | -1.8 |
| Latin America | 386.06 | -1.4 | -8.0 |
| Asia | 100.32 | -0.1 | -8.2 |
| EMEA | 122.52 | +0.4 | +7.2 |
| Europe | 160.82 | -0.6 | +7.4 |
| Easte Europe | 58.86 | -1.9 | +1.3 |
| ME & Africa | 57.39 | +1.5 | +7.0 |
| Comp + Malay | 186.18 | -0.5 | -1.8 |
| Asia + Malay | 102.36 | -0.8 | -5.3 |

*Base date Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jul 4 1991; (7)Mar 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993. Latest indices were unavailable for this edition.*

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NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. F-Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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*3:30 pm February 8*

# NEW YORK STOCK EXCHANGE PRICES

| 1998/99 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chg'e Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|

## - A -

[illegible]

## - B -

[illegible]

## - C -

[illegible]

## - D -

[illegible]

## - E -

[illegible]

## - F -

[illegible]

## - G -

[illegible]

## - H -

[illegible]

## - I -

[illegible]

## - J -

[illegible]

## - K -

[illegible]

## - L -

[illegible]

## - M -

[illegible]

## - N -

[illegible]

## - O -

[illegible]

## - P - Q -

[illegible]

## - R -

[illegible]

## - S -

[illegible]

## - T -

[illegible]

## - U -

[illegible]

## - V -

[illegible]

## - W -

[illegible]

## - X - Y - Z -

| 1998/99 High | Low | Stock | Div | Yld % | P/E | Vol 100s | High | Low | Close Quote | Chg'e Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 126 | 65⅞ | Xerox | 1.60 | 1.4 | 23 | 7518 | 118¾ | 115⅝ | 117⅞ | +1½ |
| 83⅝ | 59⅛ | XL Cap x | 1.76 | 2.8 | 10 | 1563 | 62½ | 61⅞ | 62 | [illegible] |
| 65⅛ | 37½ | Xtra Corp | | | 10 | 50 | 38¼ | 38 | 38 | [illegible] |
| 31⅞ | 22½ | Yankee Egy | 1.38 | 5.3 | 23 | 84 | 26½ | 26¼ | 26¼ | [illegible] |
| 52¼ | 27½ | York Int | 0.48 | 1.3 | 20 | 780 | 37⅝ | 36⅞ | 37⅝ | [illegible] |
| 24⅞ | 6⅛ | Zapata | | | 3 | 722 | 10⅝ | 10¼ | 10¼ | [illegible] |
| 30½ | 20⅞ | Zenith Nat x | 1.00 | 4.5 | 16 | 189 | 22⅝ | 22⅛ | 22¼ | [illegible] |
| 8⅞ | 5⅞ | Zenix Inc | 0.70 | 11.6 | | 231 | 6⅛ | 5⅞ | 6 | |
| 14⅞ | 8⅝ | ZweigFd | 1.08 | 10.2 | | 933 | 10⅝ | 10⅝ | 10⅝ | [illegible] |
| 9⅞ | 8⅛ | Zweig Tot | 0.84 | 9.9 | | 783 | 8½ | 8½ | 8½ | |

*Price data supplied by Extel, part of FT Information.*

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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| Sector | | | GMT | Close | Previous | Change on day | % Change | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|---|
| | | | 08-02-1999 | | 05-02-1999 | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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# GLOBAL EQUITY MARKETS

## US INDICES

| Dow Jones | Feb 5 | Feb 4 | Feb 3 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 9304.24 | 9304.50 | 9366.82 | 9643.32 (8/1/99) | 7539.07 (31/8/98) | 9643.32 (8/1/99) | 41.22 (8/7/32) |
| Home Bonds | 105.89 | 105.81 | 106.15 | 107.17 (8/12/98) | 104.42 (11/5/98) | 107.17 (8/12/98) | 54.99 (1/10/81) |
| Transport | 3047.88 | 3047.14 | 3225.34 | 3686.02 (16/4/98) | 2345.00 (9/10/98) | 3686.02 (16/4/98) | 13.23 (8/7/32) |
| Utilities | 293.53 | 291.28 | 294.95 | 320.51 (8/10/98) | 262.66 (9/1/98) | 320.51 (8/10/98) | 10.50 (8/7/32) |

DJ Ind Day's high 9457.43 (9511.59) Low 9141.27 (9178.09) (Theoretical) Day's high 9347.24 (9397.98) Low 9247.34 (9274.98) (Actual)

| Standard and Poors | Feb 5 | Feb 4 | Feb 3 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 1239.40 | 1248.49 | 1272.07 | 1279.64 (28/1/99) | 927.69 (8/1/98) | 1279.64 (28/1/99) | 4.40 (1/6/32) |
| Industrials‡ | 1506.44 | 1518.55 | 1547.71 | 1551.85 (29/1/99) | 1077.40 (9/1/98) | 1551.85 (29/1/99) | 3.52 (30/6/32) |
| Financial‡ | 128.27 | 127.14 | 129.80 | 147.68 (14/7/98) | 95.80 (8/10/98) | 147.68 (14/7/98) | 7.18 (1/10/74) |
| **Others** | | | | | | | |
| NYSE Comp. | 587.29 | 591.85 | 598.58 | 611.05 (8/1/99) | 477.20 (8/10/98) | 611.05 (8/1/99) | 4.64 (25/4/42) |
| Amex Comp | 708.26 | 707.12 | 718.27 | 759.87 (22/4/98) | 583.75 (8/10/98) | 759.87 (22/4/98) | 324.20 (10/7/98) |
| NASDAQ Cmp. | 2373.52 | 2410.07 | 2469.41 | 2516.88 (1/2/99) | 1419.12 (8/10/98) | 2516.88 (1/2/99) | 54.87 (3/10/74) |
| Russell 2000 | 412.72 | 417.79 | 429.74 | 491.41 (21/4/98) | 310.28 (8/10/98) | 491.41 (21/4/98) | 123.36 (2/12/83) |

## US DATA

**MARKET ACTIVITY**

| Volume (million) | Feb 5 | Feb 4 | Feb 3 |
|---|---|---|---|
| NYSE | 872.030 | 854.480 | 872.580 |
| Amex | 28.206 | 32.872 | 28.872 |
| NASDAQ | 1019.58 | 1103.11 | 1058.10 |

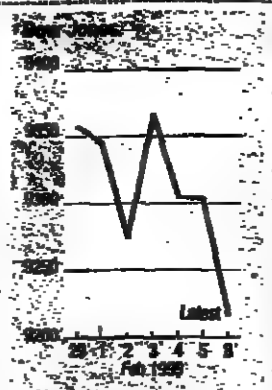
| NYSE | Feb 5 | Feb 4 | Feb 3 |
|---|---|---|---|
| Issues Traded | 3,325 | 3,357 | 3,345 |
| Rises | 1,169 | 1,077 | 1,668 |
| Falls | 1,779 | 1,592 | 1,378 |
| Unchanged | 388 | 348 | 341 |
| New Highs | 35 | 42 | 51 |
| New Lows | 62 | 76 | 70 |

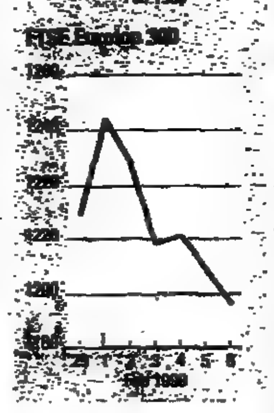
**NYSE TRADING ACTIVITY** Volume : 872,030,000

[illegible]

**NASDAQ TRADING ACTIVITY** Volume :1,019,580,000

[illegible]




## RATIOS

| | Feb 5 | Jan 29 | Jan 22 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 1.65 | 1.64 | 1.67 | 1.69 |
| | Feb 3 | Jan 27 | Jan 20 | Year ago |
| S & P Ind. Div. yield | 1.10 | 1.12 | 1.12 | 1.43 |
| S & P Ind. P/E ratio | 39.55 | 38.67 | 38.80 | 27.31 |

## JAPAN

| | Feb 8 | Feb 5 | Feb 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Nikkei 225 | 13902.49 | 13898.08 | 14088.95 | 17264.3 | 12880 | 38915.9 | 85.25 |

Day's high 14004.32. Day's low 13778.88.

**TOKYO TRADING ACTIVITY** Volume : 261,190,000

[illegible]

## GERMANY

| | Feb 8 | Feb 5 | Feb 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| DAX | 5027.22 | 5080.77 | 5077.95 | 6171.43 | 3896.08 | 6171.43 | 931.18 |

Day's high 5105.88. Day's low 5002.21.

**FRANKFURT TRADING ACTIVITY** Volume : (u)

[illegible]

## FRANCE

| | Feb 8 | Feb 5 | Feb 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| CAC 40 | 4154.02 | 4147.30 | 4157.42 | 4388.48 | 2882.54 | 4388.48 | 984.61 |

Day's high 4187.66. Day's low 4112.26.

**PARIS TRADING ACTIVITY** Volume : 825,816,019

[illegible]

## UK

| | Feb 8 | Feb 5 | Feb 4 | 1998/99 High | 1998/99 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| FTSE 100 | 5834.9 | 5855.3 | 5898.8 | 6179 | 4648.7 | 6179 | 986.9 |

Day's high 5883.3. Day's low 5799.6.

**LONDON TRADING ACTIVITY** Volume : 1,010,880,000

[illegible]

## INDEX FUTURES

| S&P 500 | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1243.80 | 1248.50 | +6.00 | 1253.00 | 1241.90 | 110,460 | 394,116 |
| Jun | 1262.50 | 1260.50 | +5.30 | 1302.00 | 1228.20 | 757 | 8,483 |

| Nikkei 225 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 13910.0 | 14010.0 | +220.0 | 14050.0 | 13760.0 | 28,758 | 193,239 |
| Jun | 13770.0 | 13890.0 | +340.0 | 13890.0 | 13870.0 | 624 | 33,258 |

Open interest figures for previous day.

| CAC-40 (€25 x index) | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Feb | 4175.0 | 4179.0 | - | 4203.0 | 4118.0 | 45,988 | 117,432 |
| Mar | 4200.0 | 4186.5 | - | 4209.0 | 4126.5 | 2,172 | 61,551 |
| **DAX** | | | | | | | |
| Mar | 5180.0 | 5070.0 | -45.0 | 5190.0 | 5011.0 | 43,881 | 189,093 |
| Jun | 5207.0 | 5099.0 | -57.0 | 3207.0 | 5046.0 | 669 | 88,977 |

| OMX | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Feb | 736.50 | 729.50 | -10.00 | 740.50 | 728.50 | 19,380 | 130,401 |
| Mar | 732.00 | 728.00 | -17.00 | 732.00 | 728.00 | 350 | 1,256 |
| **EUREX** | | | | | | | |
| Mar | 7233.0 | 7052.0 | -83.0 | 7233.0 | 7051.0 | 22,901 | 130,401 |
| Jun | 7157.0 | 7009.0 | -82.0 | 7157.0 | 7005.0 | 312 | 3,982 |

## WORLD MARKETS AT A GLANCE

| Country | Index | Feb 8 | Feb 5 | Feb 4 | 1998/99 High | 1998/99 Low | Yield | P/E |
|---|---|---|---|---|---|---|---|---|
| Argentina | General | 16455.04 | 16603.85 | 16681.50 | 29485.90 23/3/98 | 12283.16 10/9/98 | 4.36 | 12.1 |
| Australia | All Ordinaries | 2900.0 | 2911.9 | 2940.5 | 2940.50 4/2/99 | 2459.30 1/9/98 | 2.97 | 23 |
| | All Mining | 591.3 | 591.7 | 578.2 | 713.19 23/4/98 | 469.60 21/4/98 | | |
| *General Industrials and financials slipped while the resources sector lifted with firmer metal prices.* | | | | | | | | |
| Austria | ATX Index | 1110.64 | 1104.33 | 1088.76 | 1628.55 28/5/98 | 992.66 1/10/98 | | |
| *Ended firmer as banks shares stayed in demand.* | | | | | | | | |
| Belgium | BEL20 | 3448.17 | 3474.58 | 3459.72 | 3881.88 6/1/99 | 2397.38 10/1/98 | 1.44 | 28.8 |
| *Ended lower. Fortis was the day's biggest loser, sliding 2.2 per cent.* | | | | | | | | |
| Brazil | Bovespa | 8582.0 | 8486.0 | 8858.0 | 12258.80 15/4/98 | 4761.80 10/9/98 | na | na |
| *§Edged higher in early trading.* | | | | | | | | |
| Canada | TSE 100◆ | 409.06 | 405.92 | 407.55 | 476.85 25/5/98 | 324.91 5/10/98 | 1.67 | 19 |
| | Metals Mins◆ | 3137.88 | 3141.19 | 3037.06 | 4398.81 10/3/98 | 2560.30 31/8/98 | | |
| | TSE300Comp◆ | 6587.10 | 6632.40 | 6561.10 | 7822.39 22/4/98 | 5326.70 5/10/98 | | |
| | Portfolio§§ | 3489.28 | 3501.29 | 3487.23 | 3988.84 28/5/98 | 2719.34 5/10/98 | | |
| *§Moved lower in early trading.* | | | | | | | | |
| Chile | IGPA Gen‡ | 3608.63 | 3526.77 | 3582.86 | 4691.65 17/3/98 | 2888.85 14/9/98 | 3.52 | 11.6 |
| China | Shanghai B | 24.16 | 24.36 | 24.31 | 58.56 10/2/98 | 24.16 8/2/99 | 1.7 | 28.7 |
| | Shenzhen B | 46.26 | 44.82 | 44.73 | 98.97 10/2/98 | 44.23 4/2/99 | | |
| *Foreign selling pushed Shanghai B shares to record lows, while Shenzhen bounced on domestic buying. Volumes were thin.* | | | | | | | | |
| Colombia | IBB | (u) | 984.84 | 980.79 | 1431.46 7/1/98 | 776.17 14/10/98 | na | na |
| Czech Republic | PX 50 | 381.2 | 384.5 | 380.3 | 617.79 23/3/98 | 316.09 8/10/98 | na | na |
| Denmark | CopenhagenSE | 834.97 | 829.70 | 835.59 | 779.94 7/4/98 | 588.55 8/10/98 | 1.64 | 17.7 |
| *Weak blue chips led the overall market lower.* | | | | | | | | |
| Egypt | Cairo SE Gen | 436.66 | (u) | 435.97 | 447.82 1/2/99 | 345.40 2/9/98 | na | na |
| *Ended higher after a mixed session in which cement shares gained ground.* | | | | | | | | |
| Finland | Hex General | 8948.77 | 8870.48 | 8990.18 | 8993.89 29/1/99 | 3929.45 12/1/98 | 1.75 | 22.5 |
| *Ended better in spite of modest falls at Nokia.* | | | | | | | | |
| France | SBF 250 | 2818.27 | 2810.40 | 2823.49 | 2790.73 17/7/98 | 1873.19 12/1/98 | 2.21 | 21.1 |
| | CAC 40 | 4154.02 | 4147.30 | 4187.42 | 4388.48 17/7/98 | 2882.54 12/1/98 | | |
| *Gained ground against the European trend. Valeo jumped 8.4 per cent.* | | | | | | | | |
| Germany | FAZ Aktien | 1605.57 | 1609.32 | 1628.53 | 1949.60 20/7/98 | 1280.80 2/10/98 | 1.34 | 19.8 |
| | DAX‡ | 5027.22 | 5080.77 | 5077.95 | 6171.43 20/7/98 | 3896.08 8/10/98 | | |
| *Lost ground in spite of an 8.6 per cent surge for BMW.* | | | | | | | | |
| Greece | Athens General | 3322.83 | 3307.92 | 3258.21 | 3322.83 8/2/99 | 1380.13 29/1/98 | 1.28 | 28.9 |
| | FTSE/ASE 20 | 2113.04 | 2104.97 | 2102.93 | 2113.04 8/2/99 | 765.16 29/1/98 | | |
| *Pushed ahead to another record high as banks stayed active.* | | | | | | | | |
| Hong Kong | Hang Seng | 9739.60 | 9190.20 | 9436.95 | 11810.80 23/3/98 | 6660.42 13/8/98 | 3.89 | 12.7 |
| | HSCC Red Chip | 869.62 | 860.27 | 870.85 | 1776.08 27/2/98 | 570.67 1/9/98 | | |
| *Slipped in thin turnover. Cheung Kong (Holdings) and Sun Hung Kai Props underperformed, while utilities sector gained.* | | | | | | | | |
| Hungary | Bux | 6969.35 | 6473.85 | 6551.81 | 9846.35 25/4/98 | 3795.02 21/8/98 | na | na |
| India | BSE Sens. | 3183.64 | 3215.35 | 3236.42 | 4280.96 21/4/98 | 2764.16 20/10/98 | | |
| | CMIE 500 | 838.44 | 850.01 | 852.79 | 915.62 21/4/98 | 357.68 20/10/98 | na | na |
| *Ended well below the session highs as investors took profits.* | | | | | | | | |
| Indonesia | Jakarta Comp. | 398.89 | 405.55 | 409.82 | 598.38 2/2/98 | 256.83 21/9/98 | 2.43 | 38.2 |
| *5% on thin volume with a mark uptick. Telkom fell 5.9 per cent, while Indo Investmed rises fivefold.* | | | | | | | | |
| Ireland | ISEQ Overall | 5308.54 | 5218.71 | 5307.72 | 5471.81 21/4/98 | 3946.51 8/10/98 | 1.92 | 19 |
| Israel | Tel Aviv 100 | 292.11 | (u) | 285.34 | 337.49 8/8/98 | 249.16 8/10/98 | na | na |
| Italy | BCI Comit 30 | 333.28 | 339.44 | 340.21 | 388.80 20/7/98 | 248.51 9/10/98 | 1.71 | 25.7 |
| | Borsa Com Ind | 1454.80 | 1488.20 | 1487.98 | 1654.26 7/4/98 | 1083.50 9/10/98 | | |
| | Mibtel General | 22904.0 | 23405.0 | 23438.0 | 26077.00 8/4/98 | 16061.00 9/10/98 | | |
| *Closed lower in spite of a number of fine features. Fiat gained 1.3 per cent.* | | | | | | | | |
| Japan | Nikkei 225 | 13902.49 | 13898.08 | 14088.95 | 17264.30 2/3/98 | 12880.00 9/10/98 | 0.68 | 59.7 |
| | Nikkei 300 | 217.22 | 215.67 | 218.70 | 267.43 10/2/98 | 182.39 9/10/98 | | |
| | Topix | 1090.58 | 1094.94 | 1090.77 | 1300.30 10/2/98 | 980.11 13/10/98 | | |
| | 2nd Section | 1218.12 | 1220.33 | 1219.73 | 1481.27 12/2/98 | 1028.84 13/10/98 | | |
| *Rose on back of rebounding banks. However, fears over unwinding of corporate cross-shareholdings held demand back.* | | | | | | | | |
| Jordan | Amman SE | (u) | (u) | (u) | 184.82 17/8/98 | 159.46 18/11/98 | na | na |
| Malaysia | KLSE Comp. | 528.16 | 568.80 | 577.32 | 745.36 27/2/98 | 262.70 1/9/98 | 2.48 | 15.3 |
| *Tumbled as heavy volumes as foreign investors sought to realise gains ahead of new capital rules on February 15th.* | | | | | | | | |
| Mexico | IPC | 4018.07 | (u) | 4043.55 | 5304.00 2/1/98 | 2888.38 10/9/98 | 1.46 | 14.7 |
| *§Edged higher in early trading.* | | | | | | | | |
| Morocco | CFG25 | 842.25 | 843.04 | 843.07 | 863.65 1/2/99 | 699.97 21/1/98 | na | na |
| Netherlands | CBS TtlRtnGen | 1289.2 | 1300.7 | 1285.7 | 1403.00 20/7/98 | 874.60 8/10/98 | 2.10 | 22.1 |
| | CBS All Shr | 717.4 | 723.9 | 715.6 | 846.80 22/7/98 | 548.99 8/10/98 | | |
| *Lost ground in spite of a robust performance for Royal Dutch.* | | | | | | | | |
| New Zealand | Cap. 40 | 2188.34 | 2211.81 | 2217.76 | 2350.82 20/3/98 | 1889.24 2/10/98 | 5.62 | 21.3 |
| *Slipped as NZS surged after news central bank is to introduce an official cash rate as its primary monetary policy tool.* | | | | | | | | |
| Nigeria | SE All-Share | 5411.86 | 5427.51 | 5442.41 | 6594.87 11/2/98 | 2226.49 12/1/98 | na | na |
| Norway | Oslo SE Ind | 1785.19 | 1780.19 | 1778.47 | 2379.88 4/5/98 | 1309.76 9/10/98 | 2.25 | 12.6 |
| *Closed marginally lower after another busy session for Storebrand, which rose fiftyfold 3.5 per cent by merger rumours.* | | | | | | | | |
| Pakistan | KSE-100 | 852.44 | (u) | 867.73 | 1746.31 2/1/98 | 765.73 14/7/98 | na | na |
| *Drifted down amid disenchantment over lack of foreign investor interest in Pakistan stocks.* | | | | | | | | |
| Peru | Lima Gen | 1374.67 | 1389.75 | 1371.41 | 1809.01 4/5/98 | 1109.89 21/9/98 | na | na |
| Philippines | Manila Comp. | 1965.49 | 1977.84 | 1985.39 | 2311.42 25/3/98 | 1082.18 11/9/98 | 1.20 | 14 |
| *Lower amid fears of possible interest rate rise in wake of Friday's higher-than-expected inflation data.* | | | | | | | | |
| Poland | Wig | 14186.5 | 14237.3 | 14654.2 | 18832.70 11/3/98 | 10403.70 8/10/98 | 2.04 | 18 |
| *Closed higher with gainers beating losers 58 to 7.* | | | | | | | | |
| Portugal | BVL 30 | 5012.52 | 5065.04 | 5059.33 | 8178.80 22/4/98 | 3888.66 2/10/98 | 2 | 27.7 |
| | PSI 20 | 11695.05 | 11708.37 | 11674.03 | 14883.80 22/4/98 | 8114.91 2/10/98 | | |
| Russia | RTS | 55.60 | 55.88 | 55.96 | 411.61 6/1/98 | 38.83 5/10/98 | na | na |
| *Moved higher with Gazprom again in the thick of the action.* | | | | | | | | |
| Singapore | SES All-S'pore | 382.32 | 389.10 | 372.12 | 437.98 10/3/98 | 253.29 4/9/98 | 1.36 | 18.7 |
| | Straits Times | 1336.88 | 1360.19 | 1378.80 | 1698.75 10/3/98 | 805.04 4/9/98 | | |
| *Broadly lower ahead of corporate results season, which is expected to reveal steep falls in 1998 earnings figures.* | | | | | | | | |
| Slovakia | Sax | 94.26 | 92.40 | 92.40 | 182.48 5/1/98 | 81.45 20/11/98 | na | na |
| South Africa | JSE All Share | 5912.1 | 5949.3 | 5909.8 | 8299.70 20/4/98 | 4884.49 11/9/98 | | |
| | JSE Gold | 927.2 | 928.5 | 930.2 | 1310.80 8/10/98 | 672.80 10/3/98 | | |
| | JSE Ind. | 6726.6 | 6689.2 | 6712.1 | 9842.70 20/4/98 | 5346.90 11/9/98 | 4.88 | 8.8 |
| *Ended higher as hopes for a round of bank rate cuts lingered.* | | | | | | | | |
| South Korea | KoreaCmpEx** | 545.38 | 551.39 | 550.16 | 640.86 11/1/99 | 280.00 16/6/98 | 1.13 | 24 |
| *Early gains on hopes of sovereign credit rating upgrade were erased by losses in key futures-linked selling.* | | | | | | | | |
| Spain | Madrid SE | 858.11 | 870.46 | 874.06 | 943.82 17/7/98 | 642.38 8/10/98 | 1.89 | 23.7 |
| *Moved lower with Endesa leading the trend downwards with a fall of 2.7 per cent.* | | | | | | | | |
| Sri Lanka | CSE All Share | 584.65 | 565.00 | (u) | 789.70 4/5/98 | 481.80 3/9/98 | na | na |
| *Flat in dull trade. Trading period was reduced due to technical problems at stock exchange computer.* | | | | | | | | |
| Sweden | AffarsvardGen | 3415.8 | 3447.8 | 3459.9 | 3695.80 20/7/98 | 2411.70 8/10/98 | 2.11 | 20.9 |
| *Moved lower in line with most European bourses.* | | | | | | | | |
| Switzerland | Swiss Index | 7055.9 | 7157.9 | 7137.2 | 8412.80 21/7/98 | 5126.50 5/10/98 | 1.35 | 23.8 |
| | SPI General | 4456.04 | 4500.22 | 4500.77 | 5237.39 20/7/98 | 3311.28 5/10/98 | na | na |
| *Ended lower under pressure from the early weakness on Wall Street.* | | | | | | | | |
| Taiwan | WeightedPr.** | 5822.98 | 5474.79 | 5514.80 | 9277.09 2/3/98 | 5474.79 5/2/99 | 1.76 | 17.1 |
| *Boosted by government steps to support market. Heavily weighted financials outpaced while electronics sector lagged.* | | | | | | | | |
| Thailand | Bangkok SET | 330.77 | 337.96 | 336.27 | 558.82 3/2/98 | 207.31 4/9/98 | 2.22 | 46.1 |
| *Slipped in light turnover. Banks and financials succumbed to retail selling while foreign investors were sidelined.* | | | | | | | | |
| Turkey | IMKB Nat 100 | 2814.67 | 2747.82 | 2791.53 | 4828.88 16/7/98 | 1822.39 8/10/98 | 3.68 | 11.7 |
| *Pushed higher amid talk of an IMF support package after the April elections.* | | | | | | | | |
| Venezuela | IBC | 4165.91 | 4121.34 | 4202.21 | 7898.82 23/3/98 | 2894.78 10/9/98 | na | na |
| Zimbabwe | ZSE Industrial | 7263.87 | 7394.88 | 7440.49 | 8785.71 31/3/98 | 5441.85 1/9/98 | na | na |
| WORLD | FT/S&P World§§ | (u) | 308.79 | 308.95 | 318.91 6/1/99 | 242.28 5/10/98 | na | na |
| | MS Capital Intl | 1140.9* | 1151.1 | 1155.4 | 1165.58 6/1/99 | 868.58 12/1/98 | na | na |
| CROSS-BORDER | DJ Stoxx 50 | 3379.24 | 3409.09 | 3421.42 | 3576.82 20/7/98 | 2433.07 8/10/98 | | |
| | DJ Euro Stx 50 | 3482.89 | 3469.66 | 3467.86 | 3565.29 6/1/99 | 2479.23 8/10/98 | | |
| | FTSE E300 | 1187.21 | 1204.42 | 1210.85 | 1327.89 20/7/98 | 893.35 5/10/98 | | |
| | FTSE E100 | 2741.38 | 2767.44 | 2770.85 | 3006.89 20/7/98 | 2049.91 8/10/98 | na | na |
| | HSBC Drgn | (u) | 208.95 | 210.77 | 223.91 28/3/98 | 101.71 5/10/98 | na | na |
| | MS Emgs Emg | 114.48 | 115.37 | 115.66 | 133.12 7/1/99 | 88.84 11/9/98 | na | na |

[illegible]

# THE NASDAQ-AMEX MARKET GROUP

*3:30 pm February 8*

[illegible]

## AMEX

*3:15 pm February 8*

[illegible]

## EASDAQ

The EASDAQ All Share Index (EASI) for 8th February: 983.90 down 2.92% Day's high 994.75 Day's low 984.50

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

[illegible]

Prices for 08/02/99. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9905). Annual/interim reports can be obtained for companies with a ♣ symbol in this issue. Annual Reports Club telephone +44 181 770 0770. For further details please see Share Price pages.

# STOCK MARKETS

## Bourses drift on wave of economic doubts

**WORLD OVERVIEW**

Global equities picked up yesterday where they had left off last week, drifting *lower amid nagging* economic doubts and concern for Wall Street's highly charged technology sector, *writes Jeffrey Brown.*

Asia continued to trudge lower, while in Europe the broad tone also matched the mood of recent sessions, taking its cue from the latest batch of industrial figures from Germany, where output in December was unchanged.

Although the outcome was widely seen as a possible *bottoming-out of the cycle, it* was an argument that carried little weight coming on top of last week's 2.8 per cent decline in December industrial orders.

The overall numbers showed German industrial output for 1998 shrank 0.8 per cent, whereas most analysts had expected a figure in the region of plus 0.1 per cent.

There was no comfort in any of this for the Frankfurt market, which continued to *lag other core euro-zone* members. The Xetra Dax index, which has a heavy weighting of basic industry groupings, is now almost 20 per cent short of its peaks of last July.

Wall Street had no support to offer in early trading. Having tumbled 5 per cent last week, the Nasdaq composite index, the benchmark for US tech shares, remained groggy in spite of a better showing by sector leader Microsoft after last week's *near 10 per cent shakeout.*

The early mood in the US market was not helped by a warning of a 5-10 per cent correction from Ralph Acampora, the widely followed technical research director of Prudential Securities.

The day's Asian upsets mostly centred on Malaysia, where the recently reopened window of repatriation for locked-in foreign funds continued to spark wholesale selling. Following the imposition of capital controls, Malaysian equities doubled in value between September and January. They have fallen 9 per cent since the close on Thursday.

Salomon Smith Barney did its best to keep the mood confident, releasing its list of top European stocks for 1999 and pointing to fundamental value in a number of markets in its latest European portfolio strategist.

The broker says that the European index is back under fair value target with some major markets offering double-digit upside potential – notably Spain and Switzerland.

"We believe the mechanisms for further liquidity-driven gains remain in place, capable of giving European markets an upward bias over the year as a whole," Salomon declares.

## Dow slips as alliances fail to inspire

**AMERICAS**

Wall Street lost early momentum, trading lower by midday as a series of alliances in the communications and computer sectors failed to inspire the broader market, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average was down 49.17 or 0.53 per cent to 9,255.07. The broader Standard & Poor's 500 index was down by less than a point at 1,238.50, while the Nasdaq composite pushed 14.51 higher at 2,388.13.

Bonds picked up, with the 30-year Treasury bond up 11/32 to 98 22/32, sending the yield lower to 5.329 per cent.

Putting pressure on the Dow, International Paper fell $1 11/16 to $43 and J.P. Morgan $3¾ to $98⅝. Union Carbide rose $1 1/16 to $41¼.

Shares of IBM were down 5⅝ to $164⅝ after the company said it had entered a marketing alliance with five leading record companies.

*Nextel Communications* gained $1 15/16 or more than 5 per cent to $31 15/16 after the company announced a wireless service alliance with internet company Netscape Communications. Netscape fell back on the news, off $1 1/16 to $88⅝. Most internet shares were down, sending the American stock exchange's internet index off by 1.4 per cent to 717.12.

A wireless internet pact between Cisco Systems and Motorola also met with mixed results from investors, who sent Cisco's shares down $1⅛ to $100⅞. Motorola gained $1⅞ to $68. The stock joined in a rally with other semiconductor stocks after Merrill Lynch upgraded several companies. LSI Logic climbed $2 15/16 or more than 12 per cent to $26⅞.

Chubb, the property and casualty insurer, fell $3⅞ or more than six per cent to $54 5/16 after the company said it had reached a deal to buy specialty insurer Executive Risk. The announcement sent Executive's shares up $19⅝, a rise of more than 44 per cent, to $63⅝.

Airline stocks were lower after a recent run-up in price. AMR, parent company of American Airlines, tumbled $3 3/16 or more than 5 per cent to $56⅝ after it said it would cancel 360 flights due to a dispute with pilots.

TORONTO was weak at midsession after firm resource stocks were offset by weak financial services issues. By midday, the TSE-300 composite index was 58.47 lower at 6,574.90 in volume of 25m shares.

A plunge in Newcourt Credit Group accelerated the fall in financial services as the session progressed. Newcourt dropped to C$46.80 before recovering slightly to trade C$7.35 down at C$47.40 amid reports that it had backed out of a deal with Deutsche Bank.

Analysts said Newcourt was expected to buy the ailing US arm of the Frankfurt-based bank in exchange for stock which would have made Deutsche a major shareholder.

CanWest Global Communications sank C$2.30 to C$21 after its bid for 68 per cent of NetStar Communications was topped by CTV.

## Bonds put Frankfurt in shade

**EUROPE**

Concerns about financial instability in Asia, Russia and Brazil, combined with higher yields in the bond market, sent FRANKFURT to a lower close.

The pullback reversed early gains that greeted the setback for Chancellor Gerhard Schröder's Social Democrats in Sunday's Hesse state election.

The Xetra Dax index, which peaked at 5,174.25 early in the day, closed 45.04 lower at 5,052.44.

BMW soared €37.49 or 8.6 per cent to €726.49 as investors registered a positive response to Friday's boardroom changes. The stock saw upgrades from Goldman Sachs and Deutsche Bank

**The FTSE Eurotop 300 index fell 7.22 or 0.60 per cent to 1,197.21. See Euro Prices page.**

Global Equities, while Lehman Brothers put a break-up value of at least €1,380 per share on the carmaker, and repeated a buy recommendation.

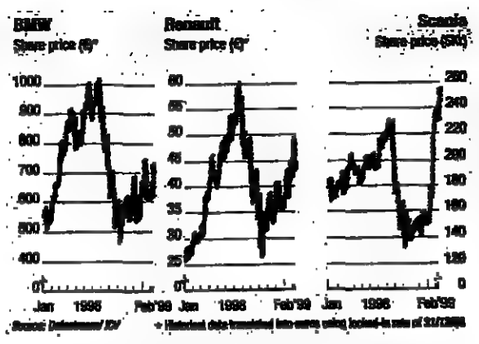
Industrial group Metallgesellschaft shot up 14.7 per cent after the group posted double-figure profit growth for 1997-98 and announced plans to take a near 75 per cent stake in the Gea engineering group. Metallgesellschaft rose €2.30 to €18 and Gea €3 to €27.

Pharmaceuticals group Schering turned back from a high of €125.99 to close €2.64 lower at €120.86 as profit-taking took hold after the group announced preliminary 1998 results.

Sports brand group Adidas-Salomon put on €2.70 to €82.60, adding to Friday's 8.5 per cent surge in response to results and a forecast of a robust earnings increase.

The utilities had a good day in response to the poor showing in Sunday's Hesse election for the Green party, which is committed to phasing out nuclear power. Viag rose €17.50 to €480.50 and Veba €1.83 to €49.33.

HypoVereinsbank gave up €3.81 to €54.19 as speculation over possible additional credit risks on its real estate lending business resurfaced.




AMSTERDAM shed 6.12 to 528.24 on the AEX index in spite of a 1.1 per cent advance by market heavyweight Royal Dutch.

The oil giant rose 45 cents to €40.10, boosted by the group's plans for an $8.5bn expansion of the Nigerian oil industry and with sentiment gaining ahead of Thursday's results statement.

ING and Akzo Nobel were given a mixed reception after their inclusion in Salomon Smith Barney's list of European best picks. ING gave up €1 at €50.70 but Akzo ended all square at *€86.35 after a high of €86.90.*

Brewer Grolsch dipped 60 cents to €21.90 ahead of today's results statement. Heineken shed 90 cents at €40.50.

PARIS ended little changed after a weak Wall Street put a late damper on an initial bout of optimism.

Strong automobile and cyclical stocks had helped lift the CAC 40 to an intraday high of 4,187.66 before the index slipped back to 4154.02, up 6.72.

Among stocks to benefit from fresh takeover news, Accor gained €15.9 or 8.4 per cent to €205 after it said it would buy 65 per cent of tour operator Frantour from state-controlled SNCF.

Alcatel defied the downward trend in telecoms following news that a planned link-up with Motorola would add $1bn to sales over four years. The stock gained €3.90 to €96.70.

Renault, up €1.40 to €44.50, and Peugeot, up €1.50 to €136, benefited from the sacking of BMW's chairman, which, analysts said, made the German company a potential bid target.

Hopes of a pick-up in economic activity later this year gave a boost to cyclical stocks, with Lafarge up €4.90 to €80 and Usinor 85 cents higher to €12.80.

ZURICH came under pressure from sagging S&P 500 futures and weakness on Wall Street. The SMI index finished 81.1 lower at 7,055.9.

ABB, which last week *announced plans for a single* share structure, put on another SFr17 to SFr1,815.

Ahnsulsse jumped SFr48 to SFr1,618. The company, which plans to merge with Germany's Viag, will hold its annual press conference on Friday. But Swisscom was hit hard by profit-taking. The stock slumped SFr33 or 5.5 per cent to SFr573.

MADRID shed 1.4 per cent, as losses in electrical utility Endesa dragged the General Index down 12.28 to 858.11.

Endesa lost 0.62 to 22.33 as shareholders in Chile's Enersis considered whether to allow the Spanish company to take a majority stake in Enersis.

Lingering concern over banks' exposure to Brazil took its toll, with BBV down 26 cents to €12.75, BCH 27 cents to €16.01 and Argentaria 05 cents to €22.32.

STOCKHOLM was lower in line with its neighbours and on disappointment that Volvo had not yet launched a full bid for truck and bus-maker Scania. The general index finished 30.45 weaker at 3,329.84.

Scania lost SKr10 at SKr244 as investors registered disappointment at the apparent lack of progress towards a merger with Volvo. Scania rose 5.7 per cent last week on mounting speculation that Volvo was about to make a bid, after taking a 13 per cent stake last month. Volvo eased SKr2 to SKr212.50.

**Written and edited by Michael Morgan, Bertrand Benoit, Peter Hall and Paul Gragan**

**MARKET FOCUS**

## Italians learn to love the euro

The latest convert to the attractions of the Milan stock market has been Massimo D'Alema, the first former member of the Communist party to become prime minister of Italy.

On a visit to Milan's new privatised stock exchange last month, Mr D'Alema said he was embarrassed to admit he had visited the New York exchange before coming to the Milan borsa.

It only went to show "Italy's mania for all foreign things", he conceded.

It seems he is not the only one suffering from a bout of xenophilia. Since the beginning of the year, Italian households, the world's biggest savers after the Japanese, have been reshaping their portfolios to adapt to the euro. Equity funds investing primarily in the Italian stock market recorded a net outflow of €178.7m last month but there was a net inflow for funds investing in the euro-zone.

The latest mutual fund figures provided by Banca Fideuram showed Italian investors had become worried by the high volatility of the equity market and turned again to steadier bond funds. These funds were also net sellers of domestic bonds last month by €2.3bn and net buyers of foreign bonds by €11.24bn.

Low bond interest yields coupled with worries over political stability have damped last year's enthusiasm for the Italian market following the country's qualification for European economic and monetary union.

Although equity trading volumes last month were nearly double those of December, the market has hardly moved since the beginning of the year. The broader Mibtel index ended January flat while the *blue-chip Mib 30 index ended* 1.37 per cent lower.

A group of blue chips and some internet and publishing-related stocks have continued to enliven the market.

Since Franco Bernabe took over two months ago at Telecom Italia, the privatised telecommunications group has seen its share price rise about 40 per cent. That reflects in part his swift efforts to reorganise the company, shaken last year by management turmoil. His decision to abandon its pay-TV ambitions has also encouraged the market as have his intentions to sell non-core assets.

However, intense takeover speculation has fuelled the share price. The government is expected to sell its remaining stake as early as next month. Mr D'Alema has suggested this stake may be sold to a strategic partner who could become the company's largest shareholder.

Fiat, too, has had a reasonable run on the back of consolidation in the motor industry. After unsuccessfully bidding about $14bn for the entire Volvo group, Fiat is now considered as a possible merger partner for BMW.

Publishing stocks have outperformed by far the rest of the market. Class Editori, floated at the end of 1998, gained 230 per cent in January because of its growing internet interests. The *Espresso group rose 49 per* cent and Mondadori nearly 30 per cent.

**Paul Betts**

## Currency scares leave investors unperturbed

Private equity investors in the US have not lost their appetite for Latin American shares in spite of the currency turmoil in the region, according to a survey by PWC.

A total of 67 per cent of *the funds polled said the crisis* would not affect their investment plans in 1999.

Brazil's devaluation, they insisted, had created buying opportunities by cutting the value of Brazilian assets.

MEXICO CITY, which remains the favoured destination for investors, was posting modest losses at midsession, with the IPC index down 11.73 at 4,001.82.

In SAO PAULO, the Bovespa index was up 44 to 8,479 *as investors waited for stock* options in Telebrás to mature in the early afternoon.

The company's preferred receipts were up R$0.50 to R$123.50.

## Liberty gives Jo'burg life

**SOUTH AFRICA**

Johannesburg ended on a positive note with the market *concentrating on financials* as expectations grew for a high-profile merger and a cut in interest rates.

Liberty Life put on R10.60 to R110.60 on the view that the retirement this year of Donald Gordon, chairman, would clear the way for a merger with Standard Bank. Standard put on 75 cents to *R20.50*

The overall index rose 62.8 to 5,912.1 and financials jumped 169.5 or 1.8 per cent to 9,435.9. Industrials rose 29.4 to 6,728.6 and golds eased 1.3 to 927.2.

## Tokyo halts five-day decline

**ASIA PACIFIC**

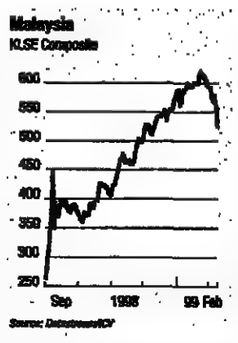
Shares in TOKYO rose after five days of decline, on the back of a recovery in the Japanese bond market and the strengthening of the US dollar, *writes Julie Hess.*

Investors were relieved that the dramatic fall in bond prices had come to an end, with the benchmark 10-year government bond's yield falling 20 basis points from Friday's close to 2.16 per cent. Moreover, a stabilisation in the foreign exchange market also provided support.

The Nikkei 225 index rose 94.41 to close at 13,992.49, after trading between 14,024.92 and 13,770.89. The advance was broadly based, with the capitalisation-weighted Nikkei 300 index gaining 1.55 to 217.22 and the Topix index of all first-section shares rising 5.99 to 1,090.63.

Advancing issues outnumbered decliners 527 to 516, with 226 issues unchanged. Trading volume was weak, falling below the 300m mark to 261m shares.

Rubber products was the best performing sector, gaining 5.2 per cent. However, only three stocks were up, highlighting an increasing market perception gap between potential winners and losers in the sector. Bridgestone climbed Y160 to Y2,500, Sumitomo Rubber Y7 to Y653 and Tokai Rubber Y16 to Y1,255.




Sumitomo continued to benefit from investors' high expectations on the tie-up with Goodyear. Bridgestone's price increase followed a newspaper report about a possible upwards revision of profits.

In Osaka, the OSE index closed up 81 at 14,811.

KUALA LUMPUR continued to experience heavy selling by foreign investors determined to repatriate funds at the first opportunity following last week's changes in Malaysia's capital controls. Blue chips were in the thick of the action. Malayan Banking lost 45 cents to M$6.65 and Tenaga 20 cents to M$6.25.

The composite index fell 32.70 to 526.10 in heavy volume of 200m shares for a two-session decline of 9 per cent.

TAIPEI shrugged off poor performances in the region for the second consecutive session, gaining 2 per cent as margin-call pressure eased after last week's plunge.

Measures announced by the finance ministry on Sunday, including lighter conditions for brokerages to accept client's stocks as collateral, helped the market rebound. The government said it would publish additional steps on Wednesday, aimed at propping up Taiwan's feeble economy.

The weighted index gained 112.80 to 5,822.98 with construction and financial shares the best performers.

BANGKOK reversed early gains to close 2.1 per cent lower amid selling by retail investors and weakness in finance issues. The SET index slid 7.19 to 330.77.

Siam Commercial Bank weighed on the market after it announced a recapitalisation that would raise its registered capital from Bt40bn to Bt70bn. The stock ended Bt0.75 lower at Bt14.75. Krung Thai Bank lost Bt0.50 to Bt14 and Bangkok Bank Bt0.50 to Bt43.

SEOUL saw early gains wiped out as futures-linked sales emerged in late trading. The composite index finished 6.001 or 1.1 per cent lower at 545.38, off a high of 558.88, which reflected expectations of an upgrade of the country's rating by Moody's.

Brokers said investor sentiment soured towards the close after the country's financial watchdog said it would punish affiliates of the nation's top 30 conglomerates that failed to clear cross debt payment guarantees according to schedule.

AUCKLAND fell as investors were caught napping after the Reserve Bank announced it would adopt a formal cash rate as its primary tool for the implementation of monetary policy.

The central bank was at pains to point out that the shift to a new monetary policy regime, which subordinates the significance of the *Monetary Conditions index* in favour of an official cash rate, was not in response to current market conditions.

The NZSE-40 capital index finished 23.47 lower at 2,188.45.

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# THE BUSINESS OF TRAVEL

TUESDAY FEBRUARY 9 1999 Quarterly review

## Millennium menu is simmering

London is gearing up fast for turn-of-year celebrations. But 2000 may not necessarily bring a business boom, says **Ken Gofton**

London is now being actively promoted as Millennium City by its tourist board and convention bureau, and even its competitors reluctantly admit that, because of its connections with the measurement of time, it has a strong case.

The fact that the Meridian line runs through Greenwich, an accident of history, is one of London's three trump cards. The second is the city's long history, making it attractive to professional associations wanting to return to their roots. Finally, there is the sheer amount of money being invested in new facilities.

"The Millennium Dome has taken a lot of flak, but at least it is evidence that London is doing something," says Rebecca Byrne, business development manager for the London Convention Bureau. The Dome, Greenwich's great inverted wok, will be available for corporate entertainment.

Also on the south side of the River Thames, the Tate Gallery's South Bank extension in a converted power station, and Vinopolis, a new and permanent homage to wine, will be in full swing by 2000. And, although it is already open, one should not overlook the appeal of the recently-created Globe Theatre to corporate audiences keen to commune with William Shakespeare, one of the icons of western culture, at the start of the new millennium.

To all of these attractions can be added a number of new or extended facilities, though, significantly, London does lack the very large-scale facilities now being built in other cities, and this could be a weakness in the future. The Palais des Congrès in Paris can seat 3,700 in one room, and Barcelona is planning to add further large-capacity venues.

In London, the ExCeL conference and exhibition centre at the Royal Victoria Dock is costing £200m; additional conference and exhibition space at the Stakis London Metropole carries a £90m price tag; Earl's Court, Olympia, and the Business Design Centre in Islington are also investing in refurbishment and expansion.

"The totality of investment in and around the millennium, in tourism and leisure facilities, is about £5bn," says Ms Byrne's colleague, marketing director Sandra Elliott. "We are using that message, that there is lots to see that is new and different, to sell London well beyond the year 2000."

As for assessing the demand for millennium meetings, in London or elsewhere, it is a little early to say. Corporate clients are a significant part of the market, and they frequently work on conference lead times of a mere six to nine months.

The other big source of business is the international, professional convention sector, which operates in a completely different way. Their huge get-togethers, often involving thousands of delegates, take place on regular two, three or four-year cycles. Decisions on where they will meet are frequently taken five, or even 10, years ahead. This means that most of the conventions due to be held around 2000 are already "done deals" so far as the booking of venues is concerned.

Even so, the "millennium factor" may well have influenced the choice of destination. It did in the case of the American Bar Council, which is holding what it terms its London Sessions in the city for the first time since the mid-1980s. This convention, based on the Queen Elizabeth 2 Centre, will bring 11,000 US lawyers, plus partners, to town in July 2000.

Others heading for London include the International Advertising Association and the International Real Estate Federation. Not surprisingly, however, the World Burns Federation concluded it should be in Scotland for its millennium clan gathering, and has booked into Glasgow's Scottish Exhibition and Conference Centre (SECC).

Gill Price, the QE11 Centre's general manager, says trade associations and professional bodies which hold conventions have not been tempted to tamper with their normal booking cycles because of the millennium. If their meeting is normally held in September, it stays in September.

"We have many more events still at a provisional stage, including enquiries from people who want to be here in 2001, I'm delighted to say. So we're not concerned about talk of an enormous peak in the year 2000, dropping into a bottomless pit in 2001."

Industry specialists seem to agree that on the corporate events side, too, the millennium makes a great story line, but is not, in itself, a reason to hold a conference. Bill Gosling, marketing and sales director for Greenalls Hotels and Leisure, which owns the De Vere chain, says it is already being used as a theme for meetings, but is unlikely to have a major impact on the frequency of meetings.

"It can be the icing on the cake," notes Vanessa Cotton, managing director of The Event Organisation Company, "but it is not the cake itself."

This may explain why there has been no abnormal rush so far to book venues for corporate events. There is probably more anxiety, also, about which way the economy will head as there is about a shortage of venues or rocketing charges.

The International Convention Centre and National Exhibition Centre in Birmingham had such a good year in 1998 – the events it hosted included the G8 conference, the CBI conference, and the Eurovision Song Contest – that it will be hard pushed to beat that performance in millennium year.

Christina Gearing, the Birmingham centre's group marketing director, estimates that around 2000 bookings enquiries were received during the past 12 months, for meetings of all sizes. The vast majority related to this year, and only 10 per cent to next. That is totally in line with the normal pattern.

"No corporate client we have spoken to yet is planning anything special for the millennium year, and when we ask them why not, they look a bit bemused," she adds.

Jenny Salsbury, conferences director at the SECC in Glasgow, believes there is still plenty of time for companies to book events for next year. The centre has received a few enquiries for large corporate events, "but I don't see a rush of millennium-related things at the moment".

### In this review


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Production editor: Ian MacDonald
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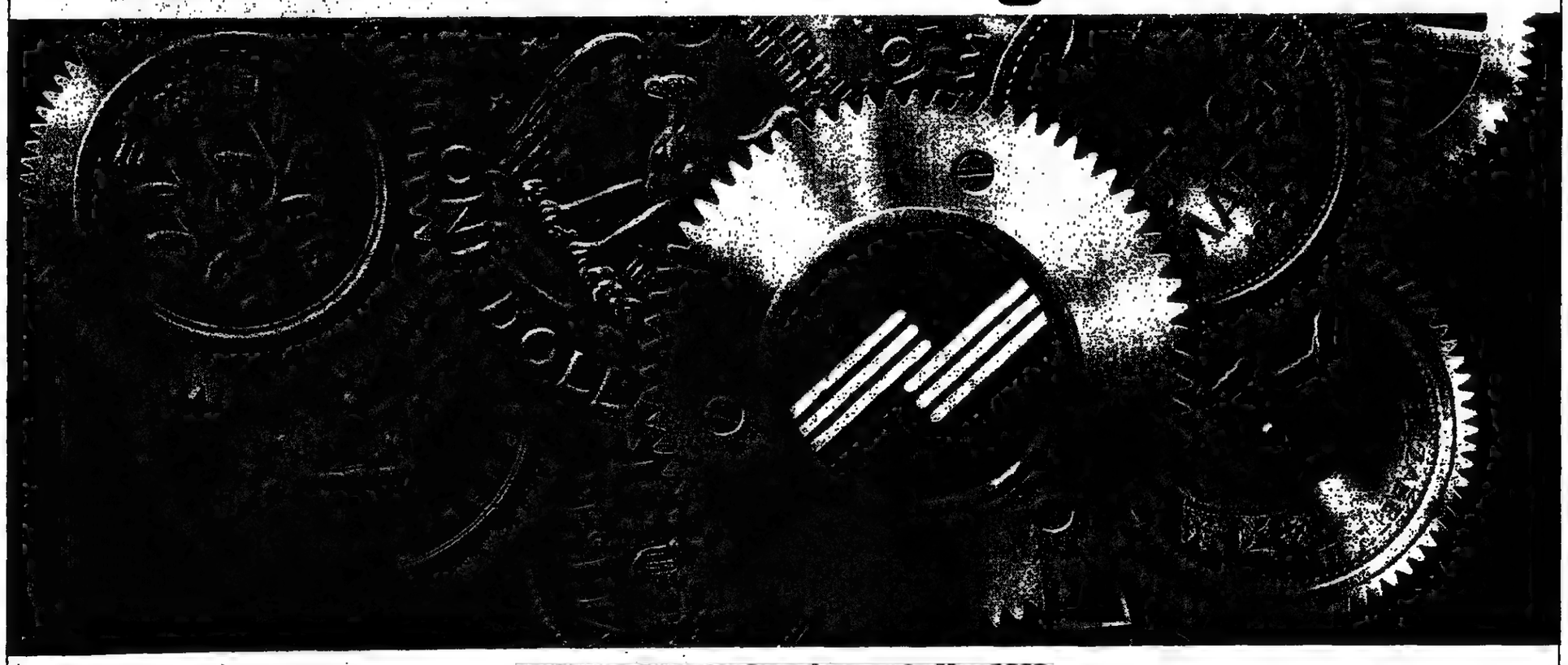
Cover illustration: Chris Duggan


# FIERA MILANO makes for good business



**Exhibition Calendar from January to May 1999:**

**16-17 January**
**XXXIV ESPOSIZIONE INTERNAZIONALE CANINA DI MILANO**
International Dog Show in Milan

**22-25 January**
**CART '99**
International Exhibition of stationery, paper and cardboard products, articles for school and fine arts

**22-25 January**
**CHEM '99**
International Exhibition of gift articles, perfumery items, costume jewellery, smokers' articles

**22-25 January**
**CHRIMART '99**
Exhibition Market of Typical Handicraft Products

**22-25 January**
**SALONE INTERNAZIONALE DEL GIOCATTOLO 1999**
International Toy Exhibition
Model-Making, Hobbies, Christmas Decorations, Carnival Items

**24-26 January**
**MAS WINTER '99**
International sportswear, sports articles and camping equipment Exhibition

**5-7 February**
**MEFLOR**
International Trade Show of cut-flower and ornamental plant production, horticultural equipment, Accessories and Services

**5-8 February**
**MACEF SPRING**
International Exhibition of Tableware, Household and Gift Items - Silverware - Goldsmith's Items - Watches

**18-20 February**
**SALONE DELLO STUDENTE & DEL LAVORO GIOVANI - CAMPUS ORIENTA**
School and training courses guidance

**23-26 February**
**MODA IN - tessuto & accessori**
Textile proposals for Spring-Summer 2000 collections

**24-28 February**
**BIT '99**
International Tourism Exchange

**26 February - 1 March**
**MODAMILANO - MODIT MILANOVENDEMODA**

**February - March (date to be defined)**
**MILANO COLLEZIONI DONNA**
Women's wear - Fall/Winter 1999/2000 Collections

**4 - 7 March**
**SIM SHOW**
International Exhibition of Musical Instruments, High Fidelity, Video, Consumer Electronics and Multimedia

**CARTOOMICS**
Comics and Cartoons Show

**MILANOPROFESSIONI**
Trade Fair of Publishing and Multimedia Support for Professions

**"R" - SALONE DEL LIBRO E DELLA COMUNICAZIONE RELIGIOSA**
*"R" - Religious Book and Communication Show*

**10-12 March**
**PROMOTION EXPO**
Exhibition of promotional objects and business gifts. Promotional services.
Point of purchase advertising materials and objects

**10-13 March**
**TAU EXPO**
7th International Exhibition of Technologies and Services for Environment

**10-13 March**
**1st SICURTECH EXPO**
Exhibition Forum of Technologies for Fire-Fighting, Workplace Safety and Hygiene, Civil Defence

**12-14 March**
**MILANOFIL**
International Philately Exhibition

**12-15 March**
**PHOTOSHOW**

**12-15 March**
**EXPOSALUTE**
Exhibition of health and physical well-being
SAREN - INTERSAN

**18-21 March**
**76° MIPEL**
International Leather Goods Exhibition

**18-21 March**
**MIFUR**
Fur and Leather Exhibition

**24-27 March**
**SheetCADD '99**
International Computer Aided Technologies Exhibition

**26-29 March**
**EXPO FOOD '99**
International food and beverages exhibition

**26-29 March**
**EXPO VIP '99**
The food service research and experimentation

**26-29 March**
**MIART**
Modern and Contemporary Art Fair

**13-18 April**
**SALONE INTERNAZIONALE DEL MOBILE**
**SALONECOMPLEMENTO**
Furnishing Accessories Exhibition

**13-18 April**
**SALONECUCINA/EUROCUCINA**
13th International Kitchen Furniture Exhibition

**13-18 April**
**SALONEUFFICIO/SIMU**
International Office Furniture Exhibition

**6-9 May**
**ZOOMARK INTERNATIONAL**
International Exhibition of Products and Accessories for Pets

**7-10 May**
**MIDO '99**
International Optics, Optometry and Ophthalmology Exhibition

**9-13 May**
**CASA ABITARE**
Home Living Exhibition

**19-23 May**
**DOMUS ITALIA**
Exhibition and Meeting on Management, Administration and maintenance of condominiums

**18-22 May**
**INTEL**
16th International Electrotechnical and Electronics

**26-28 May**
**MODAPRIMA**
International Knitwear and Clothing Exhibition

DATES OF EXHIBITIONS MAY UNDERGO CHANGES

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FIERA MILANO

**BOOKING POOL** by Amon Cohen

# Danes go 'club' to buy their cut-price tickets

*Airlines are finding they need a place at the negotiating table as a group of companies flexes its purchasing muscle*

Travel purchasers of the world unite! A consortium of 13 medium-sized Danish companies, which achieves impressive savings on its members' travel budgets, believes corporations in different countries could reduce their flight bills significantly by working together.

The reasoning offered by Danish Travel Pool (DTP) is simple. Carriers almost always offer lower fares outside their domestic market, where dominance of the route network allows them to keep fares higher. If, say, a Canadian Travel Pool were formed, DTP would buy Air Canada and Canadian Airlines tickets on its behalf. CTP would reciprocate by purchasing SAS tickets on behalf of DTP.

Whether the airlines would agree to such blatant undermining of their home advantage is uncertain, but the track record of DTP within Denmark suggests its ideas are worth examining. Soren Schodt, DTP's managing director, claims that its members, who together spend DKr60m annually on travel, achieve a 10 to 25 per cent greater reduction on air fares than if they were to buy as individual companies.

"Working together allows us to negotiate very good agreements with airlines," says Mr Schodt. "You need to spend DKr500,000 with an airline before it will give you any sort of deal, and at least DKr1m to achieve a good one. We would not achieve those figures on most routes unless we acted together."

Most DTP members have heavy traffic on five to 10 routes which would secure them discounts in their own right. By acting together they are all entitled to discounts on 40 routes, which account for 90 per cent of their combined ticket requirements.

Enhanced buying power is by no means the only advantage of collaboration. The status of DTP as a joint-venture gives it the advantages of an in-house department as well as an outsourced service. The consortium handles many of the functions normally assumed by a company's travel agency, including collection of purchasing data and negotiating with suppliers. Since DTP is a non-profit-making organisation it handles these functions at a lower cost.

DTP does use an agency, Dan Transport, for reservations and ticketing. These are functions which require licensing, bonding and low-grade labour, and are therefore cheaper to outsource fully to a larger entity.

Mr Schodt says a Danish company would normally pay an agency 8 to 12 per cent of its annual travel expenditure to handle all its travel requirements. DTP members pay the consortium an annual fee of 2.6 to 3.7 per cent and a further 2 to 5 per cent to Dan Transport.

DTP also claims that its semi-internal status gives it better control over travellers. One of the greatest challenges for business travel agency staff is standing up to senior executives of client companies when they attempt to book a flight outside corporate policy. It is more difficult to reserve that forbidden business class seat when policy is being guarded by DTP, which can say it is following in-house regulations.

DTP's efforts to be both internal department and external provider have not gone entirely smoothly. There was initially strong resistance from airlines, which were reluctant to recognise the consortium as a single entity worthy of deeper discounts. But once a couple of carriers were won over, and DTP's sustained ability to deliver business to them was recognised, rivals soon found their way to the negotiating table.

The consortium has even secured some bulk purchases, where it pays cash in advance for an agreed number of tickets that are sold on internally when members require them. Travel management experts predict that this assumption of risk will become a common purchasing method over the next five years but at present few have achieved it, American Express in the US being an exception.

DTP also has to grapple with SAS, the airline that dominates its domestic Scandinavian market even more firmly than most national carriers. Mr Schodt claims a high success rate in buying away from SAS – 90 per cent of its business on the Copenhagen-Stockholm route, for instance, is placed with Finnair, which has a hub in the Swedish capital.

Much of the success is achieved by nullifying the power of the attractive SAS frequent-flyer programme, which is many travellers' main motive for avoiding preferred carriers. All mileage earned on corporate travel has to be passed on to DTP, which attempts to use it to book more business flights. This is easier said than done – frequent-flyer points can often only be redeemed for off-peak flights – during off-peak hours – but DTP has made modest progress. It claims to place one successful booking out of every three it attempts to make with SAS using mileage.

The other disadvantage of depriving travellers of their frequent-flyer points is the threat to their morale. One DTP member staved off revolt by creating its own loyalty programme, with travellers rewarded for every 10 flights they make, irrespective of the airline used.

Forthcoming ideas being investigated by DTP, in collaboration with Danish travel technology company Business Travel Consult, include introducing self-booking systems with extranet connections to suppliers. These direct links could reduce travel agency costs further and bypass the large, expensive computer reservations systems which distribute fares from airlines to agents.

**ON-LINE RESERVATIONS** by Amon Cohen

# Options galore at the touch of a button

*The computer chooses between the standard and negotiated fares to offer the lowest available price*

Much fuss has been made recently about the miracles of automated booking systems which allow business travellers to make reservations from their desktop or laptop computers.

In reality, few companies have adopted such systems. Reasons for their reluctance include the preoccupation of IT departments with pressing issues such as introduction of the euro and Year 2000 compliance.

The US has far more users of self-booking tools than any other country, but even there only 20 per cent of corporations have an on-line reservations system, according to a survey for Business Travel News. A mere 5 per cent of travellers use the technology instead of telephoning their travel agents.

One exception to this is the Dallas semiconductor manufacturer Texas Instruments, which spends $50m annually worldwide on travel and has 8,700 travellers in the US alone. It introduced TravelChoice, a customised version of a self-booking system made by Internet Travel Network in the US in 1997 and will extend it to the UK, France and Germany later this year.

The system is already bearing results. Travel customer services manager Melissa Lopez says 15 to 20 per cent of the company's travel originating in the US is now booked through TravelChoice, a figure she expects to rise to 40 per cent for domestic travel by the end of this year.

This will make a crucial difference. TI predicts investment in the technology will start to bring savings once usage hits 25 per cent.

Using self-booking creates savings in two ways. The first is that the average ticket price falls. As well as featuring standard fares published by the scheduled airlines, TI has built in specially negotiated discount fares with these carriers.

The computer chooses between the standard and negotiated fares to offer the lowest available price on the traveller's chosen route.

In theory this is exactly what a human agent offers, but experience has proved that travellers feel more compelled to select the lowest fare when they can see the difference in front of them on a screen.

"It is so much harder to press that button which you know is going to cost the company [an extra] $70 to $100," says Ms Lopez.

The other source of savings is a reduction in travel agency fees. There is still human intervention in the process.

TI's agency American Express checks every electronic booking for accuracy and policy compliance, but Ms Lopez says Amex personnel can handle at least twice as many electronic bookings as those made by telephone.

A frequent criticism of self-booking systems is that although they reduce travel agency manpower they increase the time spent by highly paid employees on making travel arrangements. Not so, says Ms Lopez.

It is often the traveller's assistants who make the booking, but in any case reservations are extremely rapid. The bulk of TI's air journeys are simple there-and-back-itineraries such as Dallas-Houston.

Travellers who fly these routes tend to use them repeatedly, and TravelChoice offers a feature which allows bookers to call up and amend earlier reservations.

"It is pointless to tie up a travel agent's time for that sort of booking," says Ms Lopez. "Repeat itineraries, including hotel and car hire, can take as little as two minutes."

The bulk of reservations made through TravelChoice are for simple domestic flights, but several travellers have also organised complex overseas itineraries through the system.

Ms Lopez says early adopters have found there are several other advantages besides cost savings. "They like the 24-hour accessibility of the system plus the ability to view all the options and to choose their seat and meal preferences," she says.

"TravelChoice also gives our travellers directions from the airport to their hotel."

She says self-booking systems will only work if their benefits are clearly communicated to management, who can then proselytise the cause to employees. Companies must also be prepared to invest in training seminars.

The ultimate rewards, she believes, will be substantial in terms of both cost savings and traveller happiness.

"The hardest part has been instituting change: but once they understand the system they love it," she says.

CASE STUDY
**ERICSSON**

# Gentle persuasion works wonders

A small investment in personnel and systems can yield handsome savings for corporate travel budgets. Ericsson, the Swedish telecommunications group, is a case in point.

In 1990 it had one part-time travel manager in only one of its divisions. Most travellers flew business class, and the average discount achieved against full published air fares was 4.2 per cent.

By 1998 most of the company's travellers across 130 countries had switched to economy class and the average saving against full fares was 40 per cent.

The lone part-timer, Brigitte Ringdahl, has gradually assumed full control of the group's travel arrangements, and she works with one other full-time and two part-time managers.

The essence of Ms Ringdahl's success was to establish a simple two-part policy – fly economy whenever practicable and book cheaper advance fares – and persuade travellers to adopt it.

Although companies in the US find it easy to mandate policy to employees, issuing absolute edicts to semi-autonomous budget-holders is not within the philosophy of Ericsson or many other European businesses.

Ms Ringdahl's task has, therefore, largely been one of public relations, partly disseminated through a steering group of Ericsson employees.

She demonstrates to budget-holders how they can reduce costs by following policy and flying with airlines which have negotiated special deals with Ericsson.

She also provides them with pre-trip information which alerts managers to any traveller who has booked a flight outside corporate policy. The manager can then establish whether there is good reason for the exception – such as flying business class to east Asia before going directly to a sales presentation – or order the traveller to rebook.

Ms Ringdahl also tracks the number of policy exceptions a manager permits and lets them know if this exceeds expected levels.

She believes costs have been kept down further by using three travel agencies, engendering competition between them to find the keenest fares and provide the most efficient service.

Many companies consolidate to just one agency to ensure they gather consistent spending information for negotiating with suppliers. However, all Ericsson travellers put their travel spending through American Express corporate cards, and Ms Ringdahl finds the data provided by the card is sufficiently comprehensive.

Ericsson has had to rise to new challenges in recent months. More than $100m of the group's travel expenditure is by employees in Sweden, where the dominant carrier, SAS, greatly reduced the ticket commission it pays to travel agents in January.

Since Ericsson's agents pass on all commission payments to the company in return for a fee plus incentives, the commission cut, which was matched by most other Scandinavian carriers, effectively increased Ericsson's travel bill by $2m in Sweden alone.

The commissions passed on by the agents were previously sufficient to pay for the company's travel department and ensure a small annual rebate to budget-holders. However, the latest cuts have transformed the department from a profit centre into a cost centre, forcing some hasty restructuring.

Each air ticket now has a transaction fee attached to it, which is displayed on an invoice along with the commission rebate.

Fees are greater for complex itineraries and also for last-minute bookings, particularly those involving collecting the ticket at the airport.

Displaying the commission rebate also demonstrates forcefully that flying with airlines offering low commission levels is more expensive than with those offering higher rates.

Ms Ringdahl hopes the message that booking in advance and avoiding low-commission airlines saves money will not be lost on budget-holders, again without resorting to compulsion.

"It will be self-explanatory," she says. "This is what we pay the airline, this is what we are charged by the agent and this is what we get back in commission. All invoices must be signed by managers."

However, dissuading Swedish travellers from using SAS, whose frequent-flyer scheme is particularly potent in a country with high rates of personal taxation, is not easy. Ms Ringdahl has, therefore, negotiated added inducements with other airlines.

Occasional upgrades to business class have been promised and two carriers have agreed to let Ericsson employees use their airport business class lounges even when flying economy.

"A lot of travellers have e-mailed my department to tell us how much they appreciate this," says Ms Ringdahl.

**Amon Cohen**

Brigitte Ringdahl: her PR efforts are paying off

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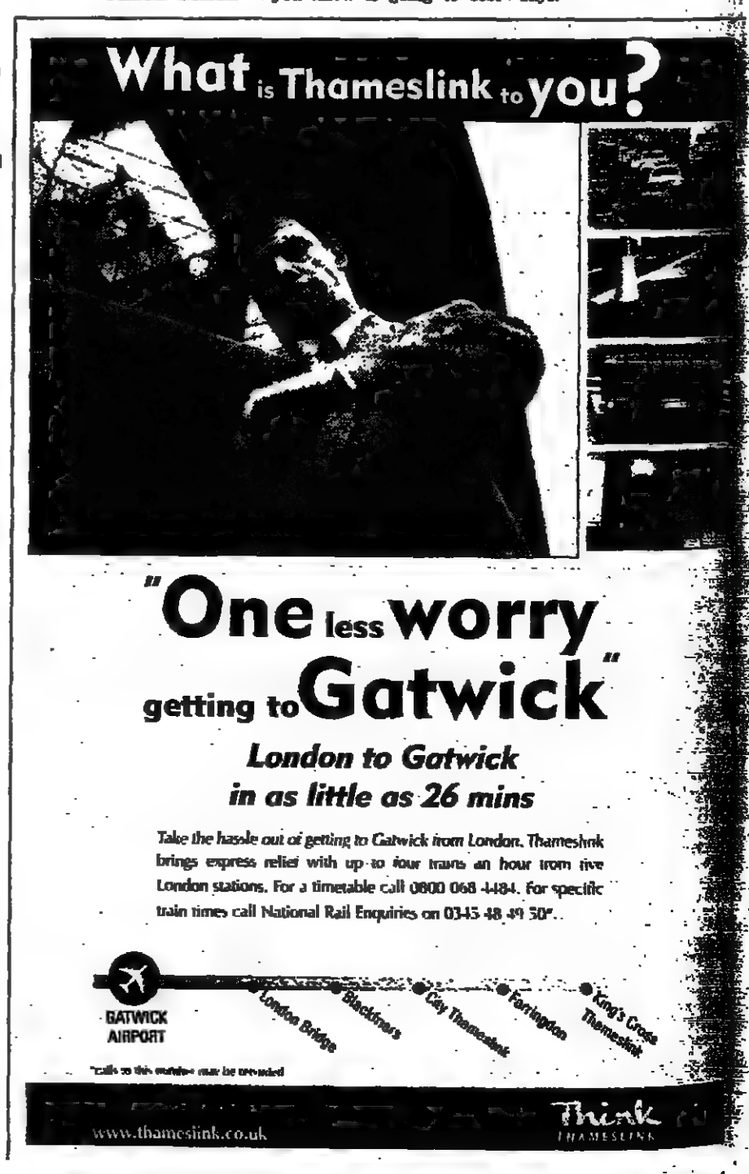


**PLANNING AN EVENT** by Roger Bray

# There are many pitfalls on the road to success

From size of room to time-keeping, a string of potential disasters awaits the conference organiser. Some find it best to call in a team of experienced specialist planners

In order to plan the perfect conference it is probably best to envisage the opposite – an event at which some or all of the essential ingredients are disastrously wrong:

- The meeting room is so badly soundproofed that the rock group rehearsing in the ballroom next door drowns the speakers;
- The temperature is never right – and every time you want to raise or cool it you have to track down a member of the hotel staff;
- The hotel made no mention of pillars, which prevent half the delegates seeing the other half and have the audio visual team complaining they cannot do their job properly;
- There are no remote microphones available at break-out sessions, for example, and the plug-in variety which is on offer has a lead too short to reach members of the discussion panel;
- Coffee breaks are so badly organised that delegates are forever late returning to the sessions – and what the managing director had in mind was an intense brainstorming session for key staff, but that white, sandy beach outside keeps luring them away.

Happily there are now teams of conference specialists around the world whose living depends on steering clients clear of such pitfalls. Knowing the destination and its facilities is only half their job; matching that destination to the client's needs is equally important.

Considerations range from the practical to the psychological. Are delegates flying in from different countries? If so, are there enough non-stop international air links to get them all there close to registration time and with minimum hassle. Apart from wasting delegates' time, too many changes of aircraft can deter potential guest speakers and exacerbate flight delays.

"No matter how grand or exciting a venue is, if it is hard to get to, the meeting will start off with people feeling irritable," says Sarah Webster executive director of the UK's Incentive Travel and Meetings Association.

"To be successful, a conference needs to be treated as a military operation. The job of organisers is to head off any potential hitch. They need to know whether there will be vehicle access to a conference centre at 4am, so that they can set up for a meeting which starts at 9am. And in case anyone should suffer a mishap they need to know in advance how to get hold of consulates – and the whereabouts of the nearest accident and emergency unit."

Niall Mackin, head of the conference and incentive division at American Express Europe, cites another reason why a wide choice of flights can be important; "A big issue is insurance. Company policies may restrict the number of employees allowed to travel on the same aircraft. If that is the case there may not be enough flights to get everybody to the conference directly."

Do you need to make a site visit? A recent report from management consultants Pannel Kerr Forster suggests organisers should not rely on hoteliers to tell the whole truth. It quotes as a "classic example" a floor plan "that does not include the pillar that sits right in the middle of the room, blocking some delegates' view."

The report also noted the "amazing" failure of hotels and other venues to provide comfortable chairs, and emphasised the importance of being able to control lighting and temperature from inside the meeting room, without having to call hotel staff.

It could be better to take audio visual and computer equipment with you to meetings overseas. Andrew Winterburn, director of World Event Management, says taking it from the UK can be significantly more cost effective than hiring in Mediterranean countries, particularly if you need to replace software in Spanish, for example, with its English equivalent.

What sort of meeting is it and what kind of delegates will it attract? Executives bent only on work may by more reluctant to spend long hours in aircraft to attend a short conference, but if there is a leisure programme attached – and if partners are going – distance and jet-lag may be less of a deterrent.

A part conference, part incentive meeting of sales representatives might spark more enthusiasm in vibrant cities such as Amsterdam or Barcelona than in Madeira, for example. The "dine around", which allows delegates to eat in small parties in various restaurants, has become popular, but some groups prefer to stick together.

What image do the organisers want to promote? Carole Thornton, manager of Convex International Events, which finds venues for the worldwide pharmaceutical industry, says: "There is a lot of pressure on pharmaceutical companies inviting doctors to conferences not to portray too glamorous an image. We have planned a meeting for 850 international delegates this year at Disneyland Paris. But the venue is not being advertised as such in the literature being sent out – just the conference centre there."

And how should you shape the programme to ensure maximum attendance – and keep participants awake in the afternoons? An intriguing idea used by the moderator of one conference on the Cote d'Azur was to wake snoozing delegates and present them with a free bottle of wine.

"The industry has learned a lot in recent years," says Andrew Winterburn. "We use inter-active voting, for example, set up workshops and soapbox forums. We try not to keep people sitting in the same place for the whole time."

Lastly, there is timekeeping. Experienced organisers know the importance of cracking down on speakers – or building in some slack to allow them to over-run. Too much leeway could lead to the sort of embarrassment suffered by the Association of British Travel Agents at its recent convention in Spain. UK competition and consumers affairs minister Kim Howells should have given a key address, but previous sessions went on too long. So, with rueful organisers claiming they were unaware his timetable was so tight, the minister was forced to abandon his speech and return home.

**SMALLER FUNCTIONS** by Ken Gofton

# Do-it-yourself may be ideal solution

Some meetings and exhibitions can easily be entrusted to one employee – but remember that they will need adequate time

Conferences and exhibitions is a broad term. At one extreme it embraces everything from international conventions with thousands of delegates and trade shows filling purpose-built exhibition halls; at the other it takes in sales meetings and small exhibitions staged by individual companies for their hand-picked customers.

The bigger the event, the more complex the logistics, and the greater the need to involve professionals. By the same token, some events are so small and routine that companies feel quite confident about making their own arrangements, whether or not they employ their own specialist staff.

Clearly, there is a cut-off point, below which the budgets do not justify calling in professional help, and would not be attractive to consultants anyway.

Establishing where that figure lies is difficult to fix precisely, although it may be lower than many clients suspect. For instance, if finding an attractive and appropriate location is an issue, there are many sourcing agencies able to provide a short-list of suitable sites at the drop of a hat. They earn their living from commission from the venues, so there is no charge to the client.

"It is alright to leave it to the managing director's PA for small meetings," says Martin Sirk, sales and marketing director for conferences and events at the Stakis London Metropole, which is currently investing £90m in an expansion of its meetings and exhibition facilities. "The problems arise as soon as there are any complications, and the PAs find they haven't the time to do two jobs.

"It is also the case that inexperienced people will not know what questions to ask. Hotels specialising in conferences and meetings ought to be able to guide them through all the hoops, but others may not be able to."

Some companies, on the other hand, organise quite ambitious events for themselves. One such is The Continuity Company, which specialises in promoting customer loyalty schemes internationally. Over the last few years it has staged a series of exhibitions and seminars in London, Hong Kong, Australia and Amsterdam. In late April it returns to London, with a three-day event at the Renaissance Hotel, Heathrow.

There are two main reasons why a company may want to stage its own exhibition. The first is that it can choose who it invites to attend. In particular, if it has a confidential message to communicate, it can exclude competitors. Secondly, it can be sure of the undivided attention of visitors, who might be tempted to wander off to a rival stand at a conventional trade show.

Single company exhibitions are frequently run in tandem with a seminar. "No-one wants to think they are being invited along just to sign a purchase order," says Gill Price, commercial director at London's QE 2 Conference Centre. Vanessa Cotton, managing director of The Event Organisation Company, adds: "A private exhibition needs something else, something more visionary, to convey the idea that it is a learning opportunity and not just a hard sell."

Brendan Smith, market support manager for The Continuity Company, agrees. "This mirrors our thinking exactly," he says. "We began in a very small way, with just a couple of rooms in a Heathrow hotel to stage a showcase of loyalty scheme developments. By the time we staged a show in Australia we had added a forum.

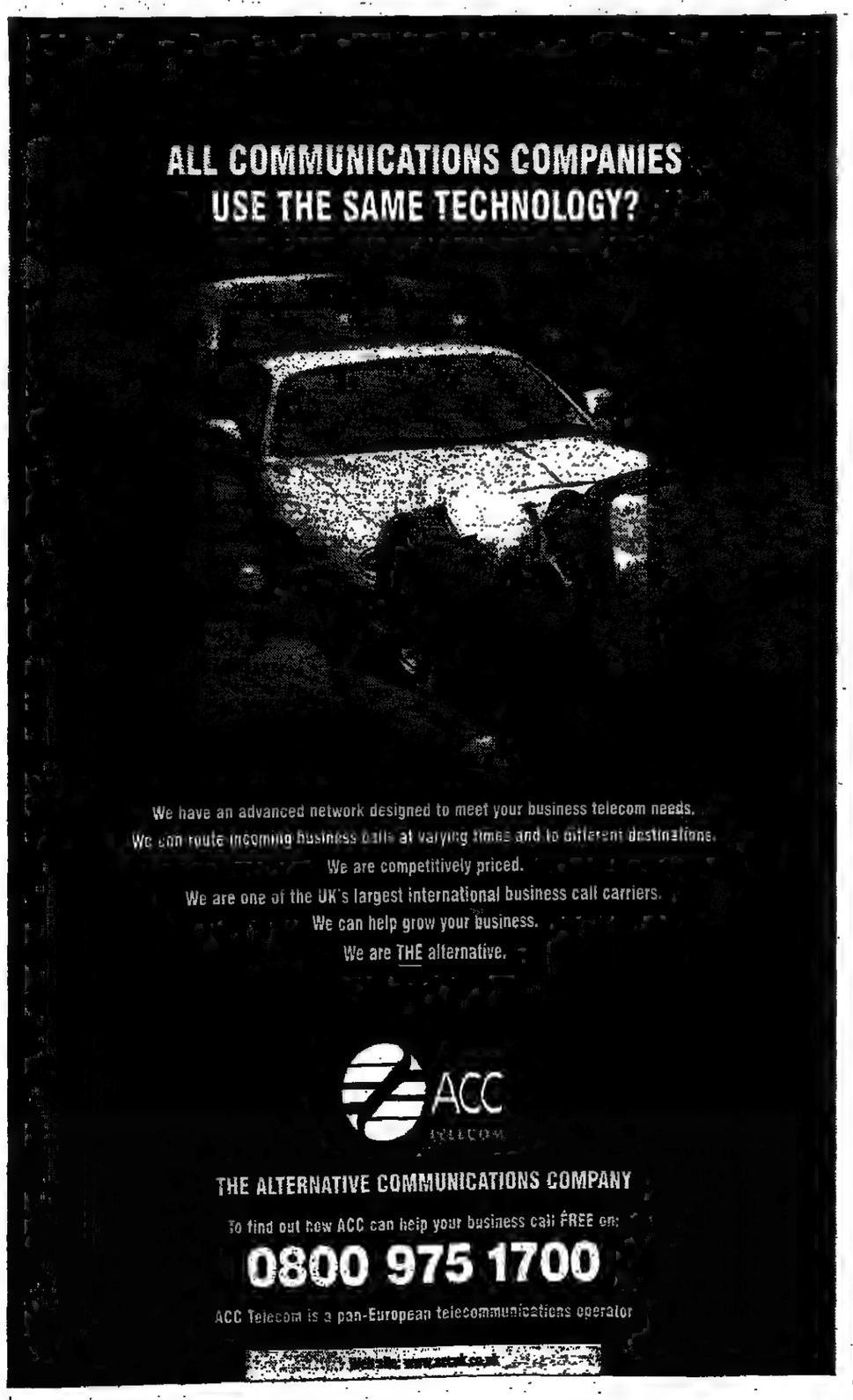
"It makes it much more attractive to senior delegates if they can attend a free seminar, with top-level speakers, that might otherwise have cost them £1,000." Mr Smith argues that a great deal of the work involved in organising conferences and exhibitions is commonsense. His company took the DIY route initially because of limited budgets, but much can be learned from attending a few exhibitions and thinking about how they are run, he says.

"Fortunately, the mistakes we made were not too bad, and we learned from them," Mr Smith adds. "These were things like not trying to cram too much into the space, so that people feel comfortable and have room to move. Probably the most important lesson was to build a database, so that you can follow up the contacts after the event."

The experts do not necessarily disagree with this approach. Ms Cotton accepts that a lot of the work involved in organising events is straightforward. But there are two reasons, she says, for going to external experts.

There is a question of resource. Arranging a major event creates a surge of work, and if it involves dealing in multiple languages and currencies, the client company may well not have the skills or the time to deal with them themselves

Attention to detail is another factor, and often only the experienced specialist will spot where things may go wrong.

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**PUTTING ON A SHOW** by Elizabeth Robinson

# Exhibitors must consider basic questions

Clear objectives are essential for companies showing their goods – and for the serious visitor

Exhibitions range from small one-company promotions to big events in vast hangar-like structures containing many hundreds of stands. But it all adds up to an industry which in the UK is worth £849m a year, according to figures from the Exhibition Industry Research Group.

The growth of the sector has been rapid, with double-digit increases in the number of exhibitions held in the UK over the past few years. In 1997, some 841 exhibitions were staged, according to the research group, and 52 of these were in venues covering more than 10,000 square metres.

That growth has been accompanied by technological and marketing advances, such as website catalogues and add-on incentives. No wonder that the ever-changing industry can appear bewildering to both exhibitors and visitors.

Some companies rely so much on promoting their brand or products at exhibitions that they have set up in-house departments to organise and co-ordinate events, but specialist external agencies do exist to take on the burden.

Hugh Scrimgeour, chairman of London's Earl's Court exhibition centre, says: "It is very important to plan your participation, whether as an exhibitor or a visitor, in advance. Exhibitions tend to be a very intense environment."

Sara Fleming, of Event Organisation, the event marketing and managing company, would prefer clients wanting to set up a stand at an exhibition to contact her at the very start of the thinking process. "The less that they've done the better," she says. In that way she seeks to fine-tune from the start what the exhibitor hopes to gain from the event. For example, some companies seek an exhibition stand specifically to promote a new product, while others merely want a presence to establish, renew or cement relations.

Steve Hill, of Academy Expo, the corporate event agency, agrees. "First we ask them why they're going to the show," he says. "Sometimes it's just because they've always done it."

Once an exhibitor and a planner work out a strategy it is best for the client to leave the planning to the specialist agency, although clients will always have the ultimate decisions, says Ms Fleming.

"Some clients can be tricky to please. The worst cases are when they try to inflict their limited expertise on the event. It's most frustrating if we're continually trying to justify ourselves."

She says companies can help themselves smooth the process by assigning senior people to the task. Too often the job of liaising with an exhibition organiser is relegated to a junior member of staff. "It's a big responsibility for them," says Ms Fleming. "We prefer to work with senior people, perhaps at boardroom level. They are used to making decisions and understand how to manage suppliers."

Mr Hill also stresses the need to be clear-minded. "We try to become more specific about what is needed at an early stage otherwise we may be committing a designer for a couple of weeks on a project that has to be dropped."

Once a stand is mapped out it is the extras that attract attention, according to Mr Scrimgeour. "Add-ons help to get to the highly qualified visitor ahead of the crowd. Anything that you can do that gets you ahead of the average stand will have a bigger impact," he says. This may be as simple as effective lighting or, increasingly, use of audio-visual displays.

Add-ons need not be limited to just the stand. Ms Fleming recommends considering hosting functions related to the exhibition where people can network in a more relaxed atmosphere, or setting up a VIP lounge where visitors can retreat from the frenzy.

There is also much that visitors to exhibitions can do to get the most out of the event. With some shows, such as World Travel Market in Earls Court, hosting more than 1,000 exhibitors, homework is essential. As some exhibitors may be "umbrella" stands for several smaller exhibitors, visitors need to study the exhibition plan carefully to maximise time as well as their own stamina.

Before the exhibition is even set up there is likely to be a wealth of information about the format and exhibitors. "The Internet has been embraced by the industry," says Mr Scrimgeour. "It can be useful in terms of taking out some of the hassle for the visitor, such as pre-booking and pre-registration. Most shows will have a website that will inform people, not only about the show and the exhibitors but how to get there."

"Visitors will be pounced on by so many people," says Ms Fleming. "I recommend they ringfence 10 or so prospects." She also points to the website as increasingly invaluable for today's exhibition visitor. An exhibition website is typically updated daily and will carry news flashes and product launches, as well as exhibitors' catalogues. Sometimes these "virtual exhibitions" are easily accessible within the exhibition venue itself, in the form of cyber-cafes.

Despite the growth of exhibitions, both in size and number, there appears to be a parallel desire to make them more user-friendly for the visitor. Ms Fleming recommends clients sponsor a coffee stall in the hall. At least that way a constant stream of thankful visitors is guaranteed.

**ALTERNATIVE VENUES** by Elizabeth Robinson

# Away from the bright lights . . .

Big cities, with their varied facilities, attract many main events, but the regions may be worth considering to save on costs

Conference delegates have traditionally swarmed to bright lights and big cities, but increasingly regional centres and even remote locations are attracting business.

It is not just the lure of the countryside. The very factors which make a capital city attractive for some conferences – urban location, large hotels and good communications – can be a turn-off for other organisers who seek out novel venues, intimate lodgings, and few distractions.

Tony Rogers, executive director of the British Association of Conference Destinations, says: "London's position is still very strong, but there is fierce competition from other regions and other city destinations.

"Residential conferences are less likely to be London because of cost. Often the quality of facilities in the regions is better and cheaper."

According to a survey of overseas conference visitors to the UK, published by the Office of National Statistics in 1997, London attracted 56 per cent of overseas delegates and 79 per cent of their spending.

Niall Mackin, American Express director of sales and head of conferences, says: "If you're not in the A-league you have to try harder to get the business – that's done on price and service."

If the bottom line for an organiser is cost, regional venues are very attractive. This is especially true for associations, where members attending conferences are paying for themselves.

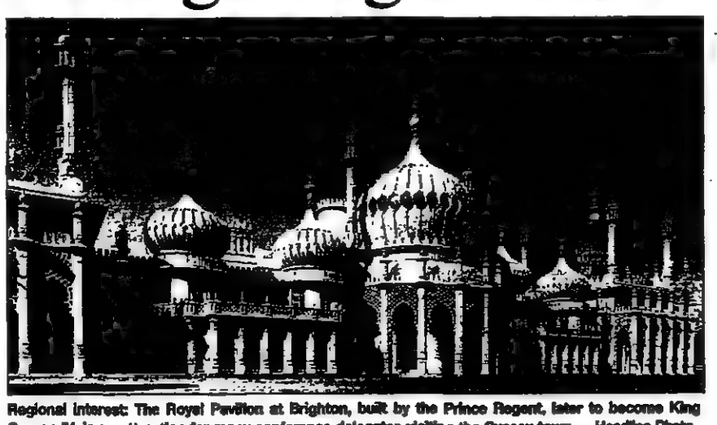
"While one-day conferences may be held in the capital city, where associations often have their headquarters, residential conferences move to the regions. This keeps members around the country happier by bringing the conference closer to some while providing relatively cheap accommodation for those who do have to travel.

Even corporate conferences can be lured out of the city. Bill Richards of the Exhibition Industry Research Group, says: "The corporate market looks more for efficiency rather than location. It will go anywhere in the country. Because you are a hotel on a moor doesn't mean you won't get conferences. You will get them if you are efficient."

Last year London was knocked from the top spot for corporate conferences in the UK by central England, according to the British Association of Conference Destinations.

Big cities do not necessarily offer big venues. London's only large purpose-built conference centre, the Queen Elizabeth II, has a maximum capacity of 1,500, compared with Edinburgh's International Conference Centre and Birmingham's National Exhibition Centre which can hold up to 4,000 delegates and offer break-out facilities such as meeting rooms and exhibition space.

Cities are busy places, too. Mr Mackin pinpoints another factor in the regions' favour – availability. "Very often certain months in certain capitals are guaranteed to be full. The availability of those conference venues has become increasingly difficult in the run-up to the new millennium. Regions have taken advantage of that."



Regional interest: The Royal Pavilion at Brighton, built by the Prince Regent, later to become King George IV, is an attraction for many conference delegates visiting the Sussex town Headline Photo

Quieter locations may also be more conducive for intensive meetings. Frank Mullen, director of the Scottish Convention Bureau, promotes venues all over Scotland, from international centres to small country house hotels and even a 40-person conference suite within the Glenturret distillery. "If someone wants to have a brainstormer or a retreat or an incentive, in addition to having the facility requirements, Scotland is a very special place, he says."

Mr Mackin says conference organisers often have to "think outside the box". He recently organised an event in Vancouver for an international client. "The client wanted to host a multinational event for people coming from all over the world and had suggested New York and Toronto. I felt that the most cost-effective and logistically perfect venue for this event was Vancouver.

"When we bought all the hotel accommodation we were buying five-star properties at three-star prices. It offered incredible value and we ended up with a superb event that suited the client's criteria and more."

Increasingly conferences are combined with an incentive element. Venues in Scotland, for example, can offer fishing and falconry as well as golf. Elsewhere in Europe, Mr Mackin says Spain's sherry region has successfully promoted itself for the conference market. "Jerez de la Frontera has all those fabulous reasons for being in Spain as well as the conference facilities," he says.

The building and siting of large national conference venues is often very political. Developing nations may seek to attract international meetings, and build world-class facilities to host them. Malaysia has this year hosted trade ministers of the Asia-Pacific Economic Co-operation Forum in Kuching as well as attracting the 1998 Apec meeting to Kuala Lumpur.

Mr Richards says that despite attracting high-profile international events, such buildings do not make a return on capital and are basically a political investment. "Most governments will start off with capital cities as where they want to attract everything and then move to the regions for catalytic growth," he says.

If a region has a particular industry or expertise it is more likely to attract international conferences. Edinburgh's medical and scientific background means it regularly plays host to specialists from around the world, while Scotland's expertise in financial services gives it a strong corporate base to attract international companies that also operate in that sector.

Ultimately the regional venues will attract organisers looking for something different, but this may make them susceptible to the cycles of fashion. Mr Mackin has seen several areas rise in popularity, only to cede to the next up-and-coming region.

"Barcelona became a hot ticket for a few years," he says. "The likes of Dublin has also been successful, but there's a cycle where conferences go." He says conference organisers in the know are currently looking at central Europe, with Prague in particular opening up.

**ROADSHOWS** by Ken Gofton

# Taking the goods to the people

Putting consumer products on show in, say, supermarket car parks can be an effective way of attracting attention

In the build-up to last autumn's launch of digital TV in the UK, rival broadcasters Sky and ONdigital faced a dilemma. Advertising could be counted upon to drive consumers into the stores, but before that happened there were just a few short months available in which to enthuse the retailers and ensure they understood the new technology.

Digital TV represents a revolution for retailers as well as viewers. In a sense it is a switch from selling hardware to software: instead of lauding the merits of one black or brown box versus another, sales staff are selling one package of programmes delivered by satellite against another transmitted terrestrially.

In the event, both Sky and ONdigital chose to start their intensive retail education programmes with a series of travelling roadshows. The formats differed, with Sky travelling the country with a specially-modified articulated truck, while its rival booked into a number of hotel venues. Both tours, however, were designed to explain the technology face-to-face.

Roadshows are a well-established marketing activity, even if there are no accurate estimates of how much is spent in the area. They usually involve a mobile exhibition stand, or a seminar programme, or both.

There are two core concepts. The first is that if the customer will not come to you, you must go to the customer. The second is that face-to-face communication is extremely powerful. The current interest in one-to-one marketing and "experiencing the brand" help explain why roadshows appear to be enjoying a boom.

Where there is a mobile stand to be staffed, roadshows are frequently outsourced to specialist field marketing agencies. The Sky and ONdigital tours, for instance, were organised by their agencies, EMS and FMCG. Similarly, when the sportswear manufacturer Nike created Nike Park as a temporary football centre in Paris to coincide with last year's World Cup, it dispatched a roadshow to French provincial cities so they would not feel ignored.

Called the Tour de Foot, and employing 12 Land-Rovers, 10 trailers, and 16 Mini cars painted in the colours of various international football sides, it was organised by agency CPM Mobile Marketing. The roadshow, in two teams, visited 70 locations over six weeks, taking a mix of interactive games, skill training and five-a-side football to a young audience.

More prosaic, but no less effective, the same company has toured UK supermarket car parks for the past two years with a Walls' sausage trailer. Freshly-fried sausages are handed out to consumers, together with money-off incentives.

The increase in sales, which can be as high as 860 per cent in some cases, persists for some weeks after the visit. But this figure illustrates both the strengths and weaknesses of roadshows: the impact may be considerable, but only on the audience that encounters it.

Thus, supermarket car parks may ideal for Walls, but not for every company. Whisky producer John Dewar claims to be pleased with the first-year results of a roadshow, complete with with a mini distillery, it has taken to Portugal and Spain to promote its William Lawson brand. In the coming season, however, it will focus less on supermarkets, and more on the bigger audiences to be found at festivals and other outdoor events.

## EVENTS

| Date | Event | Venue | Contact |
|---|---|---|---|
| **MARCH** | | | |
| Mar 1-3 | Scotland hospitality industry congress | Edinburgh | +44 (0)171 237 9777 |
| Mar 1-3 | Intl cash & treasury management | San Francisco | +44 (0)171 237 9777 |
| Mar 2 | Innovative finance for public transport | Liverpool | +44 (0)171 237 9777 |
| Mar 2 | RAes airworthiness review of JAR 145 report | London | +44 (0)171 499 3515 |
| Mar 2-3 | Turkish energy conference | Ankara | +44 (0)171 830 1000 |
| Mar 2-4 | Refrigeration and air conditioning exhibition | Birmingham | +44 (0)181 277 5000 |
| Mar 2-3 | Meetings and events exhibition | London | +44 (0)181 742 2828 |
| Mar 2-5 | Professional electronics fair | Helsinki | +358 9 15091 |
| Mar 3 | Freedom of information conference | London | +44 (0)171 209 1015 |
| Mar 3 | Data protection conference | London | +44 (0)171 209 1015 |
| Mar 3-4 | FT new media conference | London | +44 (0)171 873 3375 |
| Mar 3-4 | Software for solicitors exhibition | Bristol | +44 (0)181 742 3399 |
| Mar 3-5 | Computer science forum | Lucerne | +41 41 318 37 00 |
| Mar 3-5 | Nutraceutical technology exhibition | Brussels | +44( 0)171 419 0113 |
| Mar 3-5 | Internet World Asia | Singapore | +65 3382002 |
| Mar 4-6 | Telecoms conference | London | +44 (0)171 830 1000 |
| Mar 4-5 | International annual private banking conference | London | +44 (0)171 453 5497 |
| Mar 6-10 | International tourism exchange | Berlin | +49 30 30380 |
| Mar 8 | Women and technology conference | London | +44 (0)116 255 1451 |
| Mar 9-10 | Home delivery conference | London | +44 (0)1494 678000 |
| Mar 9-18 | International derivatives exhibition | Frankfurt | +49 69 5107 441 |
| Mar 9-10 | Reputation management conference | London | +44 (0)181 944 9030 |
| Mar 9-11 | Credit 99 cnference, exhibition | London | +44 (0)171 237 9777 |
| Mar 9-11 | Safety and health at work exhibition | London | +44 (0)181 207 5599 |
| Mar 9-11 | Commercial & consumer credit management | London | +44 (0)181 201 9888 |
| Mar 9-11 | Asset management and maintenance show | Birmingham | +44 (0)1252 783111 |
| Mar 10 | Automotive conference | Geneva | +44 (0)171 830 1000 |
| Mar 10-11 | Manufacturing exhibition | Manchester | +44 (0)1784 880890 |
| Mar 10-11 | Software automation trade fair | Kortrijk (Belgium) | +32 56 24 11 11 |
| Mar 11 | Pensions Management Institute conference | London | +44 (0)171 247 146 |
| Mar 11-12 | Reviewing strategy for the euro, conference | Rome | +44 (0)171 830 1000 |
| Mar 11-21 | International motor show | Geneva | +41 22 761 11 11 |
| Mar 12-14 | Franchise exhibition | Brussels | +39 3 354 08 80 |
| Mar 12-14 | Construction trade fair | Lahti (Finland) | +358 3 752 5800 |
| Mar 15-16 | Marine insurance conference | London | +44 (0)171 453 5497 |
| Mar 15-19 | Medical technology fair | Moscow | +43 1 40 28 95 416 |
| Mar 16-17 | Capital adequacy in central & eastern Europe | Prague | +44 (0)171 237 9777 |
| Mar 16-18 | Legal offices and services exhibition | Birmingham | +44 (0)117 970 1370 |
| Mar 16-19 | Intl healthcare exhibition | Netherlands | +31 30 295 59 11 |
| Mar 16-19 | International mining and exploration exhibition | Moscow | +44 (0)171 286 9720 |
| Mar 16-18 | European business information conference | Dublin | +44 (0)171 251 5522 |
| Mar 17-18 | Energy, safety and handling exhibition | Guernsey | +44 (0)1296 434381 |
| Mar 17-19 | Asian call centre exhibition | Singapore | +65 2228550 |
| Mar 17-20 | Medical congress and exhibition | Paris | +33 45 53 37 36 |
| Mar 18 | Pensions conference and exhibition | London | +44 (0)171 237 9777 |
| Mar 18-19 | FT pensions conference | Brussels | +44 (0)171 873 3375 |
| Mar 18-19 | Outsourcing conference | Brussels | +44 (0)171 830 1000 |
| Mar 18-21 | Tourism exhibition | Paris | +33 1 49 68 51 00 |
| Mar 18-24 | Light industries, handicrafts fair | Munich | +49 89 949 55 0 |
| Mar 19-22 | Franchising and commercial networks exhibition | Paris | +33 1 47 56 50 00 |
| Mar 22-23 | FT world pharmaceuticals conference | London | +44 (0)171 873 3375 |
| Mar 22-26 | Handling equipment and logistics exhibition | Paris | +44 (0)171 221 3860 |
| Mar 23-26 | Medical equipment fair | Poznan | +48 61 69 25 92 |
| Mar 23-24 | Strategic purchasing in euros | Amsterdam | +44 (0)181 879 3355 |
| Mar 23-26 | AseanPlas | Singapore | +65 3329620 |
| Mar 23-26 | AseanRubber | Singapore | +65 3329620 |
| Mar 24-25 | Midlands manufacturing exhibition | Birmingham | +44 (0)1784 880890 |
| Mar 24-25 | International accounting standards conference | Brussels | +44 (0)181 332 0044 |
| Mar 24-25 | British trade travel fair | Birmingham | +44 (0)181 910 7910 |
| Mar 24-25 | Measurement technology exhibition | Chemnitz (germany) | +49 5033 7067 |
| Mar 24-26 | Pension funds investment conference | Eastbourne | +44 (0)171 237 9777 |
| Mar 24-26 | Risk management exhibition | Brussels | +39 3 354 08 80 |
| Mar 24-27 | International travel and tourism exhibition | Moscow | +44 (0)171 286 9720 |
| Mar 25 | ISBA policy conference | London | +44 (0) 71 499 7502 |
| Mar 25 | Money marketing conference and exhibition | Leeds | +44 (0)1425 276767 |
| Mar 25-26 | Fund management opportunities in Italy, | Milan | +44 (0)171 453 5497 |
| Mar 25-26 | Intix conference & exhibition | Dublin | +353 1 602 4000 |
| Mar 28-30 | Electrical retailing show | Birmingham | +44 (0) 1737 768611 |
| Mar 29-1 | International tourism festival | St Petersburg | +7 812 1122681 |
| **APRIL** | | | |
| Apr 13-15 | Human resource development week exhibition | London | +44 (0)181 946 9100 |
| Apr 13-16 | Publishing and new media fair | Poznan | +48 61 69 25 92 |
| Apr 13-16 | PATA travel mart | Singapore | +65 3382002 |
| Apr 14-16 | InterAirport Asia | Singapore | +65 2786933 |
| Apr 14-18 | Computer applications in archaeology | Dublin | +353 1 602 4000 |
| Apr 16-20 | EBRD annual meeting | London | +44 (0)171 924 0974 |
| Apr 19-24 | International industrial fair | Hanover | +44 (0)181 888 9541 |
| Apr 22-23 | FT pharmaceuticals conference | London | +44 (0)171 873 3375 |
| Apr 22-25 | International franchise fair | Frankfurt | +49 211 901 910 |
| Apr 24-25 | Irish League of Credit Unions | Dublin | +353 1 490 1790 |
| Apr 25-28 | SMMT automotive trade show | Birmingham | +44 (0)171 235 7000 |
| Apr 27-28 | Computer systems validation in pharmaceuticals | London | +44 (0)181 879 3355 |
| Apr 27-29 | International oceanology exhibition | Singapore | +44 (0)181 949 8168 |
| Apr 28-30 | Tyre traders' summit | Berlin | +44 (0)1564 703993 |
| **MAY** | | | |
| May 1-6 | Networks telecom exhibition | Copenhagen | +45 32 47 33 22 |
| May 10-12 | Health and safety exhibition and congress | Birmingham | +44 (0)181 742 2828 |
| May 10-12 | 50 years Council of Europe conference | Innsbruck | +43 512 5936 0 |
| May 11-12 | Computers and ships conference | London | +44 (0)171 481 8493 |
| May 12 | Banking conference | London | +44(0)171 237 9777 |
| May 12-13 | Business exhibition | Cardiff | +44 (0)1222 251251 |
| May 13-16 | International IT exhibition | Porto | +351 2 99 81 400 |
| May 14 | FT motor conference | London | +44 (0)171 873 3375 |
| May 17-19 | Newspaper technology exhibition and conference | Brighton | +44 (0)171 453 5300 |
| May 18-20 | National accountancy exhibition | Birmingham | +44 (0)117 970 1370 |
| May 18-20 | Internet exhibition | Berlin | +49 30 30380 |
| May 19-20 | BSA financial services conference and exhibition | Harrogate | +44 (0)171 437 0655 |
| May 19-21 | World fuels conference | Brussels | +44 (0)1932 355927 |
| May 20 | Money marketing conference and exhibition | Belfast | +44 (0)1425 276767 |
| May 20-23 | Human resources conference | Southampton | +44 (0)181 332 2422 |
| May 22-30 | International motor show | Barcelona | +44 (0)1494 837770 |
| May 25-27 | Sustainable energy trade fair | Amsterdam | +44 (0)171 582 7278 |
| May 25-28 | International gas and petrol exhibition | Nice | +33 1 46 95 18 34 |

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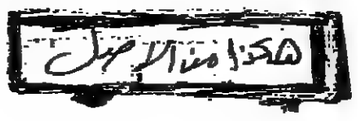


*part I*

ADVERTISEMENT

# A Nation That Thrives On Change

**From exotic trading port to colonial outpost, from a fledgling nation to an Asian tiger economy dealing with all the problems an unwelcome recession brings, Malaysia appears to thrive on change and challenge.**

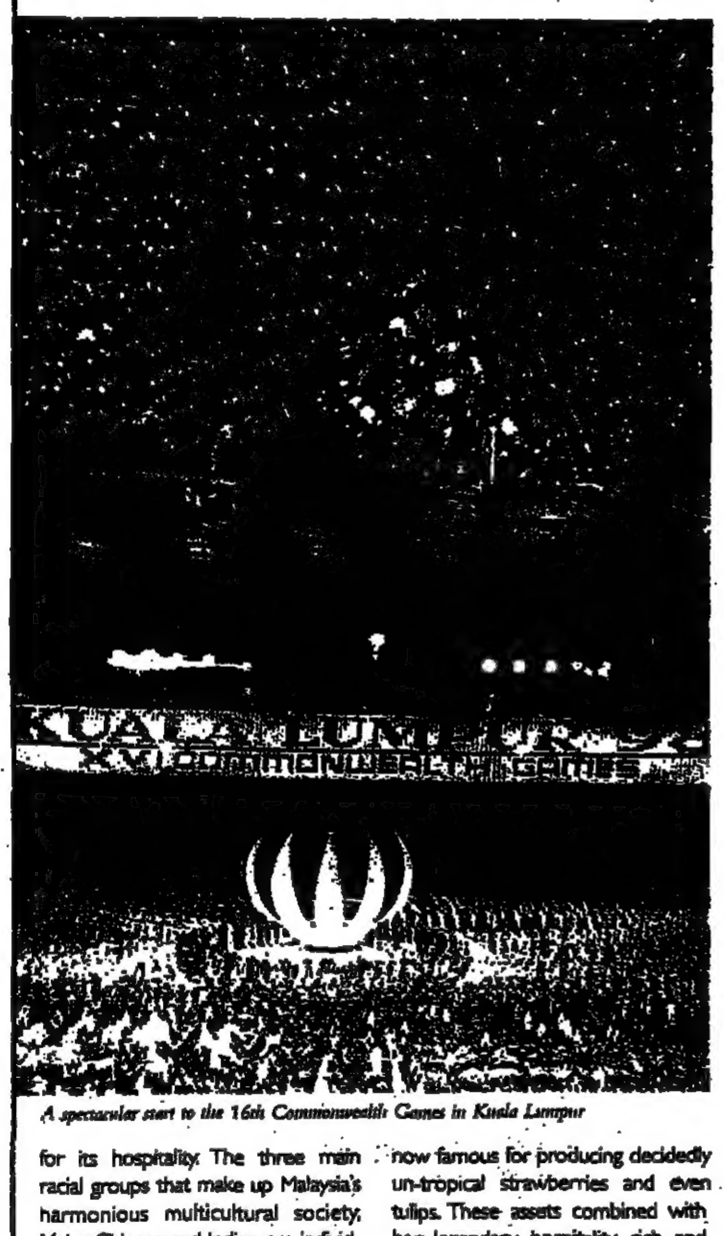
Last September when Her Majesty Queen Elizabeth II closed the 16th Commonwealth Games in Malaysia in traditional fashion, it was hard to believe that the host country was going through one of the most turbulent times in its recent history. Universally praised as one of the most spectacular and impressive Commonwealth Games ever, with facilities, organisation and atmosphere worthy of an Olympics, the impact of the Asian financial crisis and the regional recession that has followed in its wake was left outside the superb, 100,000-capacity, newly-built main stadium in capital Kuala Lumpur. And the Malaysians welcomed the world in traditional style: with a large smile.

Malaysia has long been famous for its hospitality. The three main racial groups that make up Malaysia's harmonious multicultural society, Malay, Chinese and Indian, are individually famous for knowing how to treat a guest. Put all three together and you have an irresistible combination that's summed up by the country's common greeting 'Selamat Datang', which means 'welcome' in Malay.

Multiculturalism and multi-racialism are key to Malaysia's charm, its success and its ability to adapt to change and rise to a challenge. On paper, this is a young nation. A former British colony, it became a federated constitutional monarchy with a bicameral legislature after independence in 1957. Since then Malaysians have pulled together and worked hard to create a modern country that well deserves its status as an Asian 'Tiger'.

In reality, however, this ethnically diverse group of southeast Asians have been living harmoniously together, and trading regionally and internationally, for centuries. Its prime geographical position, just north of the equator at a natural crossroads en route from China and the Spice Islands to Europe, made it the perfect conduit for east-west trade as far back as the 15th century. The dynamic ports of the Straits of Malacca and the north-west shore of Borneo (part of which now forms East Malaysia) were bustling commercial centres where the exotic riches of the east were traded. Entrepreneurs and fortune-seekers from far and wide flocked here to realise their ambitions. The fabulous architecture and elaborately-carved, stucco-fronted mansions which can be seen newly restored in the historical port cities of Penang, Kuching and Melaka are testament to the success of these early Malaysian entrepreneurs; the eclectic style a visual example of the diversity of Malaysia's ethnic and cultural mix.

But it wasn't only Malaysia's ports that attracted attention. The country boasts massive resources. Blessed with a natural beauty as diverse as her people, Malaysia's terrain includes untamed and uncharted virgin tropical rainforest, gentle beaches so safe that turtles lay their eggs on their sandy slopes, as well as the highlands now famous for producing decidedly un-tropical strawberries and even tulips. These assets combined with her legendary hospitality, rich and diverse culture and fabulous food have made Malaysia a natural target for tourists - arrivals hit *7.2 million in 1996.

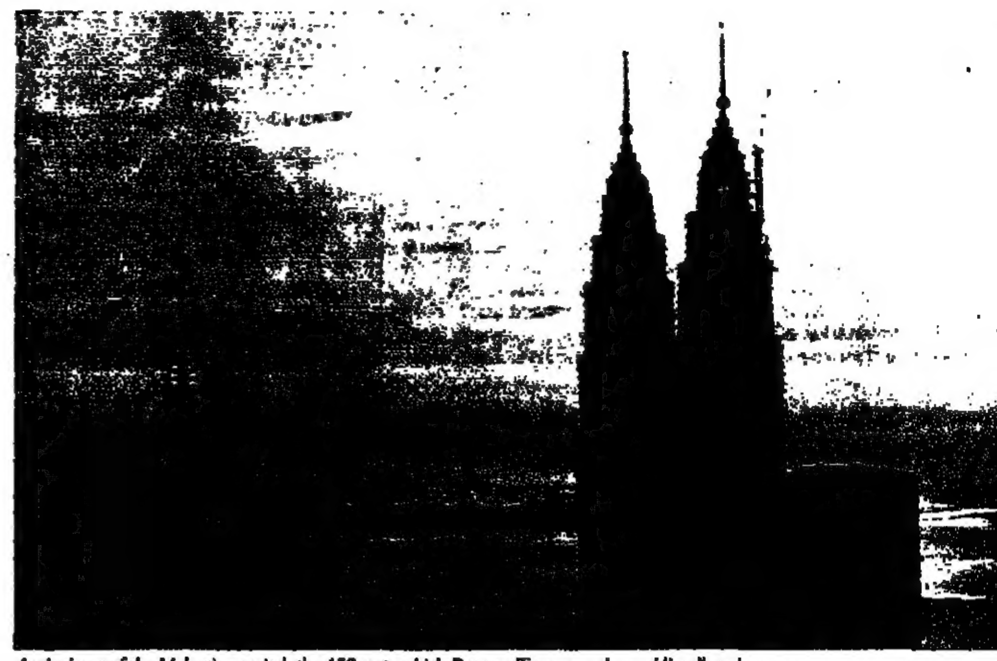

*A spectacular start to the 16th Commonwealth Games in Kuala Lumpur*

But Malaysia's assets are more than skin deep. The country has huge resources of gas, oil, timber and minerals - the capital Kuala Lumpur was founded on the back of tin mines started by Chinese entrepreneurs in the middle of the 19th century. Extensive plantations that dominate the landscape of southern peninsular Malaysia and parts of Sarawak provide rubber, palm oil and timber. As a result, the early Malaysian economy was commodity-based with manufacturing making up less than 12 per cent of exports in 1970.

Recognising that natural resources are assets that need to be conserved, Malaysia's look-ahead government launched programmes to make primary industries move upstream and downstream to create higher value exports. The Malaysian Timber Council, for example, now manufactures furniture selling in Europe and US and has created a flourishing export category which earned US$2.3 billion in 1994.

The emergence of Malaysia as a manufacturing nation over the past 20 years has been dramatic. Here, Malaysia's deeply-rooted entrepreneurial spirit - which had led to the establishment of thousands of small flourishing businesses - provided a natural base for industrialisation. Coupled with a sound and stable government possessing a pro-business ethos, a traditional commitment to education and training, a strong corporate culture, and a legal and banking system inherited from the former British administration, Malaysia quickly found itself on the fast-track to economic success.

From 1988 to 1996, the economy grew at an average rate of 8 per cent per annum, making it one of the fastest growing in the Asia-Pacific region. (Average economic growth for the region in 1994 was 3.2 per cent.) In 1996 it ranked as the world's 17th largest trading nation with exports at US$76.7 billion. Manufactured products accounted for almost 80 per cent of Malaysia's exports and the country was fast and expertly producing goods in industries that hadn't existed a decade earlier.


*At the heart of the Malaysian capital, the 450-metres high Petronas Towers are the world's tallest skyscrapers*

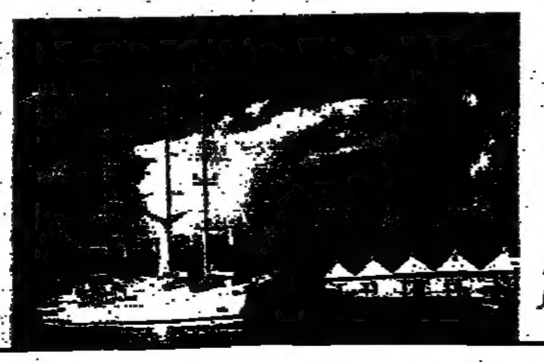
In 1970, gross domestic product per head stood at US$350. By 1995, per capita GNP had grown to US$3,890 and Malaysia's population of around 20 million were beginning to enjoy the fruits of their labour. Home ownership was on the rise with residential estates appearing all over the peninsula. Shopping malls stocked with the latest consumer goods and international brands helped Malaysians fill their new homes - the country has one of the highest levels of home computer penetration in Asia.

Malaysia was fast leaving its 'Third World' tag behind and it came as no surprise when the government announced its plan to achieve fully-developed nation status in the year 2020. Vision 2020, as the plan was dubbed, represents much more than an economic goal for Malaysia.

The massive infrastructure projects of the 1990s are playing a major role in this transformation of Malaysia. The US$2.3 billion North-South Highway which opened in 1994 meant that for the first time you could drive the length of the Malaysian peninsula - from Singapore to Thailand - on a world class freeway. It was the crucial first step to enable southeast Asians to zip around their continent by road, a fact long taken for granted in Europe and the US. The new Light Rail Transit system in KL now allows you to zip around that busy city and last year the Kuala Lumpur International Airport opened giving Malaysia a much needed world class hub facility. It is capable of handling 25 million passengers a year and a million tonnes of cargo.

*A Malaysian welcome: Selamat Datang*

The Kuala Lumpur City Center project is one of the world's largest real estate developments and includes the famous Petronas Twin Towers which, at over 450 metres high, are the world's tallest skyscrapers. Housing a sophisticated mix of office space, shops, entertainment complexes and landscaped gardens as well as being home to the Malaysian Philharmonic Orchestra in a state-of-the-art concert hall, KLCC is a monumental gateway to the new commercial heart of Malaysia's capital. It's also a clear symbol of Malaysia's vision and its confidence in the future.


*Penang, one of the most famous ports of the Orient*

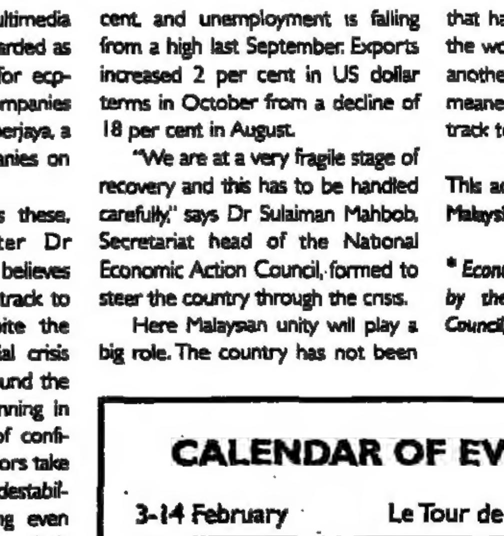
These far-reaching and ambitious projects are providing the infrastructure Malaysia needs to achieve Vision 2020: to help it better manage and support higher value manufacturing, to diversify and compete with its neighbours and not get left behind in the age of information. Leading the way into the next millennium is the government's Multimedia Super Corridor which is regarded as the country's next engine for economic growth. Over 130 companies have already invested in Cyberjaya, a haven for multimedia companies on the outskirts of KL.

With initiatives such as these, Malaysia's Prime Minister Dr Mahathir Mohamad firmly believes that the country is still on track to achieve Vision 2020, despite the impact of the Asian financial crisis which sent shock waves around the region and the world. Beginning in Thailand in 1997, a crisis of confidence saw short-term investors take flight right across the region, destabilising currencies and bringing even sound economies almost to their knees. If what caused the financial crisis aroused debate amongst the world's economists, bankers and politicians, how to get Asia back on its feet has provoked even more discussion and diverse opinions.

Malaysia did what it has done for most of its history: it went its own way. Last September, Malaysia took the brave and drastic step of implementing its own formula for recovery. In brief, interest rates were reduced to boost expenditure (down to around 8 per cent from as high as 21 per cent), debt restructuring began through the setting up of a Corporate Debt Restructuring Committee and the government set about recapitalising banks.

The Malaysian ringgit was pegged to the US$ at RM3.80 to US$1, and it was made untradeable overseas with all ringgit held outside Malaysia being repatriated by October 1. The government also declared that foreign portfolio investment must remain in the country for at least one year. The aim was to insulate and protect the economy from currency and stock-market speculators whilst giving the government and the private sector chance to restructure and recover.

Some critics of Malaysia's bold move are now praising it, others are holding their fire and adopting a wait-and-see attitude. Clearly, like much of Asia, Malaysia's boom is over for the short term. The country is in recession - last year the economy contracted 6.3 per cent - but there are many indicators that the economy has bottomed out and things are starting to improve. Current estimates for GDP growth in 1999 range from 1.2 to 2 per cent and unemployment is falling from a high last September. Exports increased 2 per cent in US dollar terms in October from a decline of 18 per cent in August.


*Malaysians proudly celebrate their multicultural traditions*

"We are at a very fragile stage of recovery and this has to be handled carefully," says Dr Sulaiman Mahbob, Secretariat head of the National Economic Action Council, formed to steer the country through the crisis.

Here Malaysan unity will play a big role. The country has not been rocked by the violent demonstrations and unpredictable social upheaval that still dominate life in Indonesia. In comparison, Malaysia has weathered the storm relatively unscathed. The response of athletes, spectators and the world's sporting media in their assessment of the Commonwealth Games last September is a truer indication of the state of the nation. No-one stayed away and all who were there had nothing but praise for "The Friendly Games" and the proud Malaysians who provided a world class welcome.

This year, international sports fans can look forward to World Cup Golf from November 18-21 and in October Malaysia will host its first Formula One championship on a track that has been touted as the best in the world. By then, we may well see another face of Malaysia, leaner and meaner and back on its own fast track to developed-nation status.

**This advertorial was created by the Malaysia Tourism Promotion Board.**

**** Economic and financial data supplied by the National Economic Action Council, Malaysia.***

## CALENDAR OF EVENTS 1999

| | |
|---|---|
| 3-14 February | Le Tour de Langkawi |
| 4-11 July | Flora Fest |
| 11-26 September | Malaysia Fest |
| April-August | World Amateur Inter-team Golf Championship |
| 19 September | 15th World Mountain Running Trophy |
| 18-21 November | 1999 World Cup Golf |
| 2-31 October | Shopping Carnival |
| 17 October | Malaysia World Grand Prix Formula One |
| 30 November-5 December | Langkawi International Maritime And Aerospace Exhibition (LIMA) |

## MALAYSIA TODAY PART 2

*The Tiger Fights Back will appear on February 2?*

Find out how Malaysia is restructuring its economy

- National Economic Action Council initiatives
- A review of Malaysia's recession-busting tactics

# Getting around

Financial Times correspondents guide travellers around four more countries, offering the first-time visitor and experienced globetrotter alike tips to make their journey a little smoother

## AUSTRALIA by Lisa Murray and Gwen Robinson

Sydney, with a population of nearly 4m, is Australia's largest city and capital of New South Wales, the most populous state. The Olympic Games to be held in the city in September 2000 have driven rapid growth in new hotels, restaurants and infrastructure. Canberra, home to the national parliament, bureaucracy, and national institutions, is Australia's political nerve-centre, while Perth, the fastest growing of Australia's state capitals, is home to over three-quarters of Western Australia's entire population as well as most of the country's large resources companies.

### Visas

*Required by all visitors except New Zealanders. Visas are issued by Australian* embassies and consulates around the world.

### Airlines

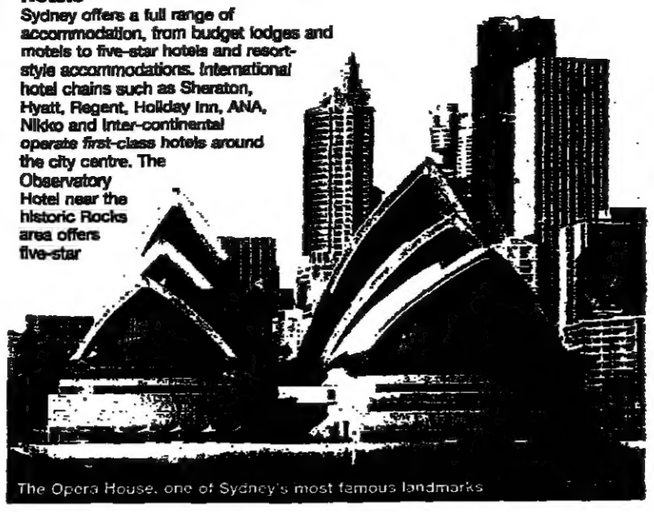
*Sydney is Australia's main gateway and is serviced by more than 45 international* airlines, many offering non-stop and one-stop services from around the world. The leading Australian carrier is Qantas, which operates more than 170 inbound flights weekly. Perth is also well served by international carriers, but visitors to Canberra need to fly into Melbourne or Sydney, then take a domestic connection. Domestic airlines run frequent interstate flights and service a large number of regional and rural destinations. Private charter flights can be easily arranged.

### Local transport

Sydney's extensive public transport system includes ferries and a city and suburban rail and bus system as well as inner-city monorail and light rail. There is also a comprehensive network of private services such as chauffeured limousines, rental cars, taxis and for the more adventurous, water taxis. *Limousine services cost upward of A$45 per hour around the city and from* A$450 a day for chauffeur-driven trips outside the city. Canberra has an efficient bus system, plentiful taxis, and inexpensive car rental. Perth also has cheap and reliable public transport - including buses, trains, taxi and ferry services.

### Hotels

Sydney offers a full range of accommodation, from budget lodges and motels to five-star hotels and resort-style accommodations. International hotel chains such as Sheraton, Hyatt, Regent, Holiday Inn, ANA, Nikko and Inter-continental *operate first-class hotels around* the city centre. The Observatory Hotel near the historic Rocks area offers five-star accommodation with an "old world" touch. Rates at the top hotels range from about A$260 a night upward for a standard room.



The Opera House, one of Sydney's most famous landmarks

*There is also a growing number of high-quality serviced apartments, and* comfortable boutique hotels catering for business travellers. Canberra has a wide range of accommodations. Of note are the Hyatt Hotel, a 1920s art deco-style five-star establishment located in the Parliamentary triangle, and the smaller Hotel Kurrajong, set in a heritage building in a quiet leafy suburb in the Parliamentary circle. Perth's city centre hotels include the Holiday Inn Park Suites, Hyatt Regency, Parkroyal, Ryde's and the Sheraton, all close to the central business district, as is the city's newest hotel, the Duxton.

### Eating out

Sydney's multicultural make-up provides the basis for a wide variety of restaurants offering a diverse range of cuisines, including the emerging "modern Australian" style which blends various influences.

The Good Food Guide, a paperback guide to Sydney restaurants available in most bookstores, is a good critical guide for those wanting to explore food options, from casual bistros to top-class establishments. Around the inner-city, Chinatown offers a vast choice of Asian cuisines. Nearby is the Spanish section in Liverpool Street, while just a few blocks away is the latest restaurant mecca, Cockle Bay Wharf and Darling Harbour, a stylish, waterfront complex of restaurants and bars. Canberra's top restaurants generally observe high standards. They are dotted throughout the city, although there are concentrations around the city centre, Civic, and the Manuka area which is full of shops and cafes. For the business traveller, Boathouse by the Lake, in Barton, Atlantic and Ottoman Cuisine, in Manuka, and the Oak Room in the Hyatt Hotel have all been praised for quality and ambiance. There are many restaurants in and around Perth city centre, but the Northbridge area, a short taxi ride away, has become a centre for ethnic restaurants, creative bistros and late-night cafes to suit all tastes and budgets.

## CANADA by Scott Morrison

Canada is best known for its rugged beauty and vast expanses, but several cities have earned reputations for their cosmopolitan flair. Toronto, the country's largest city and financial centre, boasts world-class accommodation, restaurants and cultural attractions at reasonable prices for those travelling from the US, Japan or the UK. Vancouver is Canada's gateway to Asia and serves as a base from which to enjoy the country's natural beauty. It also offers visitors the enjoyment of first class accommodation and dining, though in a more relaxed setting.

### Visas

Visitors from the European Union, the US, Japan and many Commonwealth countries do not require visas.

### Airlines

Canada's main cities are well served by numerous international airlines, including British Airways and leading US carriers. Canadian Airlines offers extensive service to US and Asian destinations, while Air Canada has a strong presence on routes to the US and Europe. Cross-border traffic between Canada and US cities has increased *dramatically since the two countries signed an* open skies agreement several years ago. The two main Canadian carriers also offer a large schedule of domestic flights to *secondary destinations.*

### Local transport

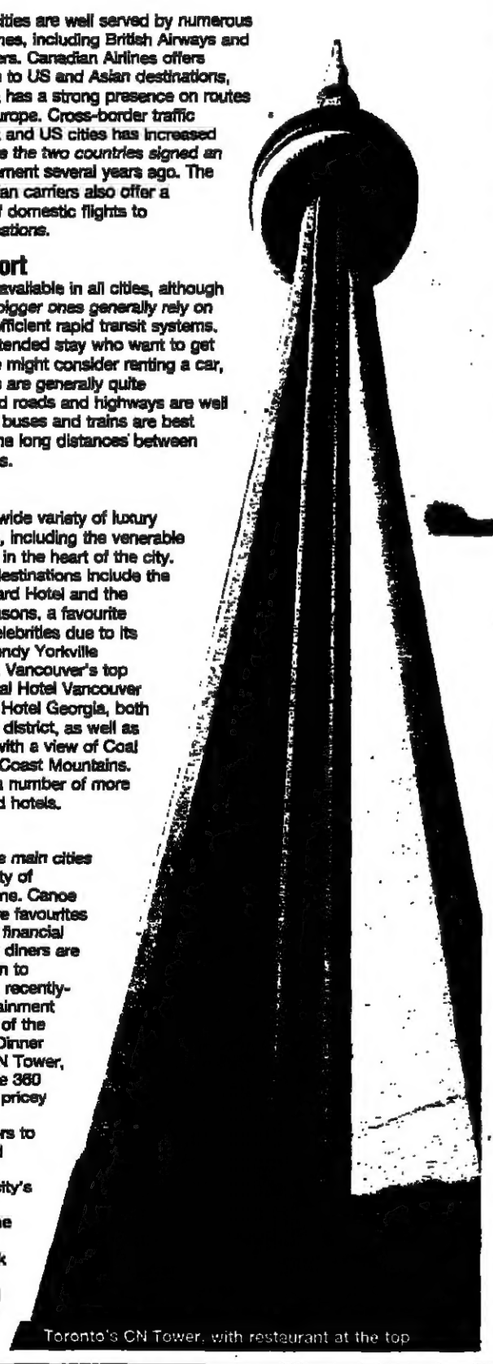
Taxis are widely available in all cities, although *residents of the bigger ones generally rely on* safe, clean and efficient rapid transit systems. Visitors on an extended stay who want to get around with ease might consider renting a car, *given that drivers are generally quite* conscientious and roads and highways are well marked. Intercity buses and trains are best avoided due to the long distances between major urban areas.

### Hotels

Toronto offers a wide variety of luxury accommodations, including the venerable Royal York Hotel in the heart of the city. Other preferred destinations include the ornate King Edward Hotel and the modern Four Seasons, a favourite among visiting celebrities due to its location in the trendy Yorkville shopping district. Vancouver's top spots are the regal Hotel Vancouver and the dignified Hotel Georgia, both near the financial district, as well as the Pan Pacific, with a view of Coal Harbour and the Coast Mountains. Both cities offer a number of more moderately-priced hotels.

### Eating out

*Restaurants in the main cities* offer a wide variety of international cuisine. Canoe and Far Niente are favourites *among Toronto's financial* community, while diners are increasingly drawn to restaurants in the recently-developed entertainment district, just west of the downtown core. Dinner atop Toronto's CN Tower, with its impressive 360 degree view, is a pricey but memorable experience. Visitors to Vancouver should *make time for C,* regarded as the city's best seafood restaurant, and the Rain City Grill, a veritable landmark featuring west coast cuisine and a view of English Bay.



Toronto's CN Tower, with restaurant at the top

## SOUTH AFRICA by Victor Mallet

South Africa is by far the biggest economy in sub-Saharan Africa, and boasts a sophisticated transport, telecommunications and banking infrastructure. Business habits are broadly similar to those in Europe or the US, although South African companies - after years of quasi-isolation during the apartheid era - are still catching up with international standards in everything from accounting and corporate governance to levels of service and quality control. Alongside what is essentially a first-world economy, however, are third-world problems of poverty and crime. Visitors should be aware of the dangers, but not unduly nervous.

### Visas

Citizens of most major industrialised countries do not need to obtain entry visas before arrival.

### Airlines

South Africa is well served by the big international airlines, and there are frequent direct flights to and from London by British Airways, South African Airways and Virgin. Johannesburg is the main port of entry, with Cape Town and Durban being *two of the other busiest airports. South Africa is a vast country - it is 1,450km* from Johannesburg to Cape Town - and most business trips within the country are by air. Domestic carriers include BA (operated by Comair), SAA, Sabena and Sun Air.

### Local transport

Hiring a car through one of the well-known international networks is quick, efficient and reasonably priced, but drivers should be constantly on the alert *because standards of driving are poor. Most first-time visitors will have been* regaled with horrifying tales of car-hijacking and armed robbery. Just be cautious, especially in Johannesburg and the surrounding area: lock car doors at all times (even while driving) *and keep valuables, including mobile* telephones, out of sight; be particularly careful at intersections, but do not worry about the hawkers who will try to sell you everything from newspapers to coat-hangers. A phone is a useful safety tool in case you break down.

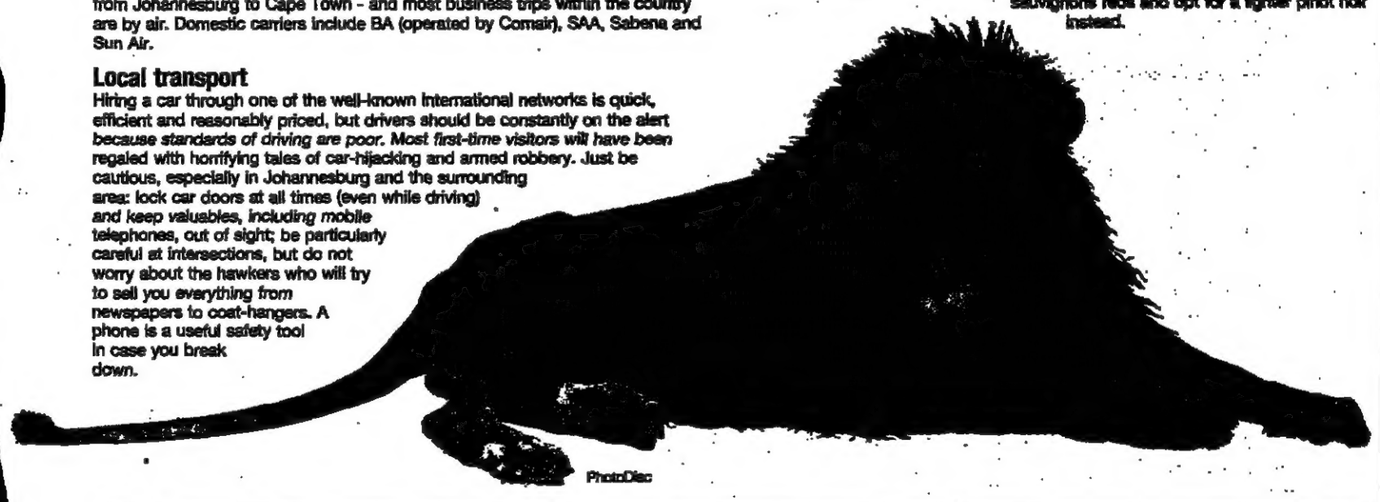
Trains, buses and minibus-taxis are also in good supply.

### Hotels

Modern, efficient establishments - including Hilton, Holiday Inn and Inter-continental - are represented in cities such as Johannesburg and Cape Town. Prices in the Cape have risen sharply in recent years because of a rapid increase in the number of tourists and a shortage of hotel rooms, but several new premises have been, or are about to be, completed.

### Eating out

The fare can be stodgy and dull in rural areas and small towns, but there are plenty of excellent restaurants in the big cities - and they will seem extraordinarily cheap to those paying in foreign currency. Try some South African specialities - ostrich, springbok, local crayfish, oysters or Cape Malay dishes such as bobotie (a spicy lamb dish not unlike shepherd's pie, but somewhat sweeter). Beware of a tendency to smother delicious, fresh ingredients in a flood of melted cheese. And do not leave the country without sampling the ever-expanding variety of Cape wines. Be cautious of the headache-inducing heaviness of some of the cabernet sauvignons reds and opt for a lighter pinot noir instead.



PhotoDisc

## NEW ZEALAND by Terry Hall

New Zealand is revitalising its once bucolic image of a country largely populated by sheep. A roll call of the world's wealthiest businessmen have booked berths for their luxury boats to watch the America's Cup yacht races in Auckland later this year, and many are expected to take side trips to luxury resorts in New Zealand and the Pacific to be among the first in the world to watch the sun rise on the new millennium.

### Visas

Nationals of western Europe, the US and south-east Asia do not require visas for visits *of up to three months.*

### Airlines

Auckland is the main gateway, but Wellington, Christchurch and the alpine resort of Queenstown in South Island, which offers everything from winter skiing and year-round bungy jumping and white water rafting, also have international airports. Air New Zealand and Ansett, plus a network of smaller airlines service tourist and other centres.

### Local transport

Taxis are plentiful at airports, with a charge of around $NZ15 to NZ$20 to the nearest town. Shuttle buses are available at half these rates. Rental cars - motorised caravans for tourists - are a popular option. Rail buffs often choose to travel by train and inter-island ferry . . . a more relaxing, if time-consuming, option and surprisingly popular with business travellers with time to spare. It can take 11 hours by train from Auckland to Wellington, compared with 50 minutes by air.

Jonah Lomu has played a big part in keeping the All Blacks rugby team on the world map

### Hotels

Most international hotel chains are represented, with those in Auckland and Wellington most focused on the business traveller. Prices are reasonable, and little difficulty should be found in finding a room. However, Auckland hotels will be under intense pressure later this year when the city hosts the Apec conference and the *Americas Cup.*

### Eating out

There has been something of a revolution, with *chefs experimenting with new cuisine and* menus focusing on top local wines. One of the most popular is the restaurant at Te Papa, the new national museum in Wellington. Vineyards on the outskirts of Auckland, Wellington, Christchurch, and Queenstown, as well in the better-known grape-growing districts of Marlborough, Nelson and Hawkes Bay offer the chance to dine and enjoy award-winning wines among the vines. Immigration, from Asia, Latin America and southern Europe has led to a host of new cafes and restaurants which offer good value.

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Business Class

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FT correspondents offer suggestions to travellers who have some spare time to explore their host country

# Majesty on ice, but beware hugs

Canada's frozen north has few human inhabitants, but it is rich in beauty from the animal kingdom. **Scott Morrison** reports

The beaver may rightly be Canada's national symbol, but foreign visitors searching for the quintessential Canadian wilderness experience have shown a much greater willingness to brave chilly temperatures to see the majestic polar bear trample across the frozen tundra.

Once an experience reserved for only the most hardy and intrepid of travellers, viewing polar bear has become a booming cottage industry in several communities in Canada's far north. Last year about 10,000 people braved chilly weather to make the journey to Churchill, an outpost on the western edge of Hudson's Bay, and to Wager Bay, farther to the north.

The bears' seasonal patterns are the key determinant when choosing a viewing location. Visitors will likely spot polar bears near Wager Bay, in the Northwest Territories, during mid-summer, while the bears are a frequent sight around Churchill, Manitoba, in late autumn.

Every year during October and November some 300 bears congregate at Cape Churchill, some 25 kilometres north of town, to wait until Hudson's Bay freezes over. Once ice has formed, the bears, whose average weight is 600kg, venture onto ice floes to hunt seals. But during a brief period of several weeks, visitors can observe the bears on shore and at close range from the safety of a "tundra buggy," a specially-designed all-terrain vehicle.

Polar bears are quite unpredictable, and potentially very dangerous, for they have no natural enemies and thus no fear. But the polar bears of Cape Churchill have become accustomed to the vehicles and do not act aggressively toward intruders, although they may move in for a close look.

One Churchill resident says some bears rear up on their hind legs to peer inside the tundra buggy's windows, putting passengers eye-to-eye with the "lords of the Arctic".

While polar bears are the highlight of any autumn stay in Churchill, visitors can also enjoy a number of other unique experiences. The Eskimo Museum boasts one of the finest collections of Inuit sculptures from the Hudson's Bay communities. Those curious to experience what it was like to get around the Canadian arctic before snowmobiles made their debut may want to take a ride on a sled pulled by a team of husky dogs.

Tourists in Churchill can also marvel at the Aurora Borealis, or northern lights. The bands of shimmering light glowing across the northern skies can be seen from the Tundra Dome, an indoor facility that provides comfortable views from a plexiglass seating area.

A number of tour groups organise five-day bear-watching excursions to Churchill, although individuals can make shorter and less expensive trips by booking their own transportation and accommodation. Information can be obtained through Manitoba's tourism bureau.

A typical Wager Bay excursion is longer and more expensive, simply because it is more remote and further north than Churchill. Independent travel to the region is very expensive and difficult to arrange, so guided tours are the best option.

One of the various travel groups offering package deals is Quest Nature Tours, which runs a nine-day trip to Wager Bay, a 150-km tidal inlet surrounded by rugged tundra scenery and home to the largest polar bear denning area. Organisers take guests on hikes and boat rides to seek out polar bears, bearded seals, arctic wolves, caribou, peregrine falcons and loons.

Bears at play – best observed from close range in the safety of a 'tundra buggy' PhotoDisc

Tour members stay at Silu Lodge, a rustic yet comfortable wooden lodge open during the brief summer season. The lodge is the only structure standing along Wager Bay, which was abandoned several decades ago when Inuit residents relocated to larger northern communities. The lodge is owned and operated by friendly Inuit, who extend hospitality, replete with stories about their culture and history.

The highlight of these tours are the boat trips along the southern shore of the bay, where polar bears like to spend summer. Boris Kotelewetz, one of the lodge's owners, says it is common to spot female bears caring for their newborn cubs or hunting for seals from ice floes. Inuit guides also take guests to Boat Cove, an area rich in Inuit archaeological sites, and to see the wooden remains of a Hudson's Bay Company trading post that was abandoned in the 1950s.

While trips to Wager Bay cost as much as C$3,800, the destination offers some advantages. The region is more remote than Churchill and thus features a greater variety of wildlife. And as visitors are spirited around in boats, rather than massive tundra buggies, the experience is more genuine. Furthermore, Wager Bay's summer season enables guests to take full advantage of the region's 24-hour sunlight.

On the other hand, the northern lights are not visible during this period and visitors might find it difficult to make time for a trip to Wager Bay.

Churchill and Wager Bay offer visitors two windows of opportunity, each with their own advantages, to see Canada's majestic "lords of the arctic". But tourism sources say that polar bear aficionados must reserve their trip early because flights and accommodation are usually booked to capacity during peak season.

# Fine for Drake, and plenty of visitors since

**Victor Mallet** explores the beauty and history of South Africa's Cape peninsula

There is something magnificent about standing on the Cape of Good Hope at the southern tip of Africa with the wind trying to tug your hair out by the roots. Facing south from these high cliffs you know that nothing lies between you and the Antarctic except the cold and stormy south Atlantic ocean. You might even see a whale in the waves below.

A magnificent image, but wrong on two counts. First, you are not at the southernmost point of the continent; that honour belongs to the rather low, featureless promontory of Cape Agulhas about 160km to the south-east. The second problem is that you are probably not at the Cape of Good Hope, but at the steeper and more impressive Cape Point where the lighthouse is.

Do not despair. For natural beauty and historical interest, the Cape peninsula – and particularly the nature reserve at the tip – is probably South Africa's most rewarding tourist destination for those seeking something other than a safari to look at lions and elephants. Cape Town and the adjoining peninsula are an easy weekend trip – a two-hour flight each way – for business visitors to Johannesburg.

This Cape may not be the most southerly in Africa, but it is certainly the corner, the dramatic turning point that the Portuguese explorers Bartolemeu Dias (there is a monument to him in the reserve) and Vasco da Gama were looking for when they were hunting for the sea route from Europe to India in the 15th century.

Dias, thinking of the weather, called it the Cape of Storms, and it was his public relations-minded backer, King João II of Portugal, who imposed the name Good Hope. Nearly a century later, Francis Drake immortalised the beauty of the place, calling it "a most stately thing, and the fairest cape we saw in the whole circumference of the earth".

Cape Town, overshadowed by Table Mountain, and the Cape itself are surely the most memorable places in South Africa, not just because of their craggy landscapes and many shipwrecks but also because it was here that the country's troubled and racially-divided modern era began.

It was in Cape Town that Jan van Riebeeck arrived in 1652 to establish a staging post for the Dutch East India Company, that Cecil Rhodes dreamed of the expansion of the British empire (there is a statue of him near the city centre, pointing north, bearing the inscription "Your hinterland is there", and that the National party used its parliamentary majority to establish apartheid with a series of racial laws after 1948.

Today, however, Cape Town is as racially mixed as anywhere in the country.

Visitors with only a day or two to spare should hire a car and visit the peninsula in a loop, going down one side and returning the other. Driving from Cape Town towards the False Bay side to the east you pass the magnificent Kirstenbosch botanical gardens on the slopes of Table Mountain before reaching the coast.

A winding seaside road then takes you past the quaint English atmosphere of St James, the old-fashioned fishing harbour of Kalk Bay (where seals swim among the wooden boats), the naval base at Simon's Town, and to Boulders, a beach where tourists share the sand and surf with hundreds of apparently fearless Jackass penguins.

The return route to Cape Town via the clifftop Chapman's Peak Drive is particularly spectacular at sunset, and takes you past Hout Bay, Camps Bay and to the French Riviera-style coastal residences of Clifton on the edge of the city.

From either Boulders or Hout Bay it is a short drive to the nature reserve and the two Capes. At the height of the tourist season in the southern hemisphere summer – from December to February – the car park at Cape Point is likely to be crowded with coaches and cars. But before you reach it there are several side roads leading to beaches and walks: a few hundred metres on foot and you will find yourself alone with zebras, ravens and orange-breasted sunbirds in a windswept landscape of rocks, bushes and wild flowers.

You can, furthermore, get to stand on the Cape of Good Hope after all. There is a path from the main car park that takes you across the cliffs to the real thing – lower than Cape Point, but just as beautiful. On a good day, you can see dolphins surfing in the ocean swell below. And you can look out over the sea and say to yourself that you are at one of the world's most important corners.

# Hunters wear pride on their labels

**Gwen Robinson** and **Peter Montagnon** take a day out to sample the pleasures of Australia's oldest wine-growing region

For those who envisage rolling green hills, picturesque chateaux and rustic hamlets when they think of wine-tasting tours, a brief excursion to the Hunter Valley, Australia's oldest wine-growing region, can be as much of an eye opener as a palate-pleaser.

The approach to Pokolbin, the wine-growing heart of "the Hunter", as locals call it, is lined with eucalyptus or gum trees and native bushland. In the background are the craggy Brokenback mountains. You might even spot a kangaroo. The region's towns and settlements – with names including Kurri Kurri, Wollombi, Abernethy and Branxton – reflect a fascinating blend of colonial convict past, the local coal mining economy, and native Australian traditions.

The diversity of influences – and visitor profiles – can also be seen in the local architecture, from the banal to the elegant. A graceful 19th-century town hall or quaint antique shop might nestle next to a slick supermarket or gaudy motel. This diversity extends to accommodation choices. From the towns, with their broad main streets, to discreet settlements well off the beaten track, visitors can choose from Aussie-style country pubs with wide balconies to charming boutique hotels, sprawling five-star resorts, budget motels, and self-contained villas.

If wine is not your priority, there are also destinations beyond wine country, such as the mountain retreat of Barrington Tops or nearby coastal areas.

The wine enthusiast, however, is advised to stay within the main Hunter wine region. If you do not want to drive, you can join a day-tour around the numerous estates for cellar-door tastings and end the day with a game of golf and a fine meal at one of the many top quality restaurants. Visitors with other interests, meanwhile, can go bush-walking, horse riding, ballooning or foraging for antiques in the area's many small shops.

Tourism has developed into a massive industry in the Hunter, drawing an estimated 3.5m visitors a year. Christopher Brown, president of the Hunter Valley Vineyard Association, says the "touristy" image is both an advantage and a disadvantage: serious vintners prefer visitors who are serious about wine.

The region's popularity with local and foreign visitors owes much to its proximity to Sydney – just a two-hour drive away. "But remember, it is also one of the main wine-producing areas, and our estates, with cellar-door tastings and sales, are serious businesses," says Mr Brown.

In the 1960s and 1970s, Hunter Valley produce was at the cutting edge of Australia's nascent wine industry. Today, the Hunter is the old lady of a booming export industry: still fiercely proud of its traditions, but acutely aware of the rise of younger competitors, including the Margaret River region in Western Australia, South Australia's new wine regions, and the Mudgee and Cowra areas in central New South Wales.

Hunter winemakers express pride at being an integral part of an outstanding Australian success story, but sound a trifle defensive about charges that the region has been seduced by tourism.

Lately, however, the Hunter has seen a new breed of young winemakers with fresh enthusiasm and great ideas, says Huon Hooke, a prominent Australian wine critic. "Some of them augment their range with wine from other regions, but they are primarily Hunter winemakers intent on proving it is still a great wine region," he says. "Australian wines are very much flavour of the month – there's no doubt, we are giving the French a nudge ... and the Hunter Valley can boast some unique styles," says Patrick Auld, of Southcorp Wines.

Some small winemakers, such as the Scarborough family at Scarborough Wines in Pokolbin, devote themselves to doing what they know they do best. The Scarboroughs produce high-quality chardonnay, and began exporting just a few years ago. Their output, about 10,000 cases a year, can barely meet demand. Like many Hunter winemakers, they run a small, quality restaurant and a cellar door operation at their winery.

In keeping with the Hunter's "good living" image, many of its restaurants are highly rated. Some of these, including Cellar Restaurant at McGuigan Hunter Village and Blaxland Restaurant, operate in conjunction with cellar door operations. Other recommendations, including Chez Pok, The Hermitage, Mulligan's Brasserie, Pipette and Robert's, are at hotels and guest houses.

The Hunter region is an easy drive from Sydney. Car rentals cost from A$60 a day. But whether it's France or Australia, mixing drinking and driving can pose problems – particularly in Australia, where drink-drive laws are strict. One option is an organised day tour or overnight package, offered by many companies at costs ranging from A$60 for transport only to comprehensive programmes with luxury accommodation, wine tastings and gourmet dining. An alternative is to hire your own car and driver for a comfortable day trip costing around A$500.

For the business traveller, Cypress Lakes Resort and Kirkton Park Country House offer sports facilities, quality restaurants and conference facilities. For a more intimate atmosphere, Pepper's Guest House, The Convent and The Carriages are period-style guest houses. There is also a wide choice of hotels, motels and B&Bs.

More information: Wine Country Visitor Information, tel (+61 2) 4990-4477; email, info@winecountry.com.au

**DUTY FREE** by Roger Bray

# It may be goodbye perk, hello confusion

Campaigners are still attempting to at least delay abolition of cheap shopping for travellers within the EU

A relatively cheap bottle of single malt whisky may seem scant reward for suffering crowded airports and flight delays and, as a tax concession, there is no logical defence for it. But when Robin Cook, the UK foreign secretary, suggested British voters were probably more exercised about the threatened abolition of duty-free than about the whole vexed question of the single European currency, he had a point.

Sales of duty- and tax-free goods in Europe are now worth £4.5bn a year. The revenue they produce helps to hold down air and ferry fares, and the business employs more than 140,000 people. Amsterdam's Schiphol airport alone expects to lose Fl190m guilders in revenues in 2000, 40 per cent of all its income from duty- and tax-free sales, and warns it may have to shed up to 400 jobs.

The likely impact on fares is less clear cut. A recent Mori survey of UK business travellers on behalf of Carlson Wagonlit, the business travel agency chain, found that those who believed they would increase within Europe and those who felt abolition would have no effect were evenly split at 41 per cent for each camp.

If abolition goes ahead, the short-term effect will depend on the health of economies and strength of demand for travel – but ferry companies say fares will have to rise. Passengers in the Baltic could be among those hardest hit, and companies operating routes between Britain and mainland Europe say they will have to earn around 20 per cent more from ticket prices to compensate.

The effect on scheduled airlines may be less dramatic but will depend largely on the response of airport managers.

These were not the only reasons why the recent agreement by EU ministers to review their long-standing plan to banish such sales from next July was greeted with widespread acclaim, however. Campaigners bent on reversing the decision say much more time is needed to work out how duty and taxes will be applied to sales on aircraft and ferries.

The London-based Duty-Free Confederation, which is dedicated to delaying – or killing off – the threatened ban, rejects the thesis that national exchequers are losing revenue by allowing affluent international travellers to avoid tax on alcoholic drink and other goods.

Barry Goddard, the organisation's secretary-general, points to an estimate that only about 20 per cent of all the money spent on EU duty- and tax-free purchases would have been spent on equivalent goods in retail shops.

But the reality is that the impact of abolition on tax revenues would be broadly neutral. In the UK, for example, it is reckoned the Treasury comes out around £18m ahead while duty-free survives – but that is small change in tax terms, and the margin for error is too narrow to be reliable.

The case against reprieving duty-free is that it makes little sense to perpetuate a tax break for those who can afford to travel at the expense of those who cannot. It is weakened by the continued reluctance of EU members to harmonise taxes. Even after abolition, consumers would still be able to avoid tax in their own countries by purchasing goods at lower tariffs in other countries.

A significant number of UK business travellers clearly accept this argument. The Mori survey found 8 per cent "strongly support" abolition and a further 7 per cent "tend" to support it. That compared with 29 per cent and 14 per cent respectively in favour of retention.

Casual followers of events may be confused, for news bulletins frequently omit to point out that the axe is poised only over duty- and tax-free sales to passengers travelling between EU countries: they will still be available to travellers heading to or from other destinations.

Cheap drinks are a big attraction on ferries AP

UK operators would be easily the biggest losers, saying goodbye to sales worth around $1.6bn. Finland and Denmark would be next, losing $728m and $548m respectively.

Perhaps surprisingly, alcoholic drink does not invariably make up the lion's share of sales. In Finland (44.9 per cent) and Sweden (35.9 per cent) it is far and away the biggest earner, but in Germany, Austria, Belgium, Greece, Italy, Luxembourg, the Netherlands, Spain and Portugal, travellers spend more on fragrances and cosmetics.

A key weapon in the fight against abolition has been the prospect of confusion when airlines and other operators start adding duty and tax to prices previously free of them.

The European Commission has ruled that all goods will be subject to value added tax at the rate imposed by the country where they are loaded on to the ship or aircraft. But if they are subsequently sold in another country's waters or airspace they are subject to that country's tax – and the operator has to reclaim the amount paid at the point of loading.

But the amount of duty payable will be that imposed by the country in whose airspace or waters the goods are sold. Theoretically, therefore, total prices could change four times during a return ferry crossing between the UK and France – and any number of times on a long-haul flight across several EU countries.

At their recent Vienna summit, EU heads of government asked the Commission to come up with a new proposal by the end of March which could allow sufficient time to devise workable alternatives. Noting that Britain has suggested a five-year stay of execution so that workable alternatives can be put in place, Mr Goddard says: "We need at least three years."

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FT correspondents hear some more tips, yarns and warnings from two men who spend much of their lives travelling the world

# There are times when it's best to say 'no'

**Sarah Murray** *meets an IT consultant* who is well versed in the art of avoiding trouble on his worldwide treks

As someone who often finds himself in countries on the US State Department's "no-go" list, David Drinkard, was only a little perturbed when, on a trip to Nigeria, a loud knock sounded on the door of his Lagos hotel room.

"I looked through the peep-hole and all I saw was shoulders," he says. "This was a *big* guy... if he'd wanted to, he could have easily knocked down the door."

Despite the man's claim that he was a driver, ready to take him to the airport, Mr Drinkard left his door firmly locked. He was, after all, in a country beset by violent crime where both locals and foreigners have been known to disappear without trace. And he had not booked a driver.

He told the man he had the wrong room and explained that he would call hotel security to check the room number. "The guy left and I never heard anything again," he says.

Mr Drinkard – an IT consultant who carries out sales and technical training all over the world – is on the ball as far as security goes. Often obliged to travel in the more hazardous parts of South America and Africa, he is rarely deterred by bleak reports about danger hot-spots. "Business still goes on in these places, despite their reputations," he says.

While incidents cannot always be avoided, there are ways of reducing the chances of them happening. "The biggest security risk for a lot of people is when they're in a hurry," he says. "If you're in a rush there's a greater likelihood you will have to pay a bribe. It's all about taking your time and not being flustered. Being calm is the best way to handle difficult situations."

Having a local business partner can help. "When I went to Lagos the rules were explained to me very carefully by my local partner," he says. "He told me never to leave the airport with anyone unless they present a card from the company."

Another rule – one of Mr Drinkard's own – is to have letters of invitation, details of his local contacts and embassy phone numbers either memorised or in a jacket pocket, so if luggage goes missing or no one turns up to meet him at the airport he can get hold of his local partners.

"Again, common sense prevails. Having names and phone numbers with you at all times is important, and don't have more money on you than you can afford to lose."

For someone who has lived out of a suitcase for several years, maintaining health is important. "It's one aspect of overseas travel you really must address if you're going outside Europe and North America," Mr Drinkard says.

He is certainly not neglecting his duties in this respect. "My doctor in the US looked at my immunisation card and said I was better inoculated than most servicemen," he says. "I only have to hear the names of the diseases and I want the doctor to jab me at once." He cites Vietnam as an example. "Japanese encephalitis, spinal meningitis, polio, typhoid – these names don't sound good."

Describing himself as a "walking pharmacy", Mr Drinkard explains that as well keeping inoculations up to date and travelling with a supply of emergency medicines, he takes a number of other precautions. "I always drink bottled water. In some countries they fake the seal on the cap, so I'm always careful about that. I don't put ice in any drinks and I'd rather have a cola or a beer than a soft drink in a dirty glass. The best way to stay healthy is to stay clean."

Help that is appreciated: David Drinkard finds his way around Hanoi with some directions from the local police — Sarah Murray

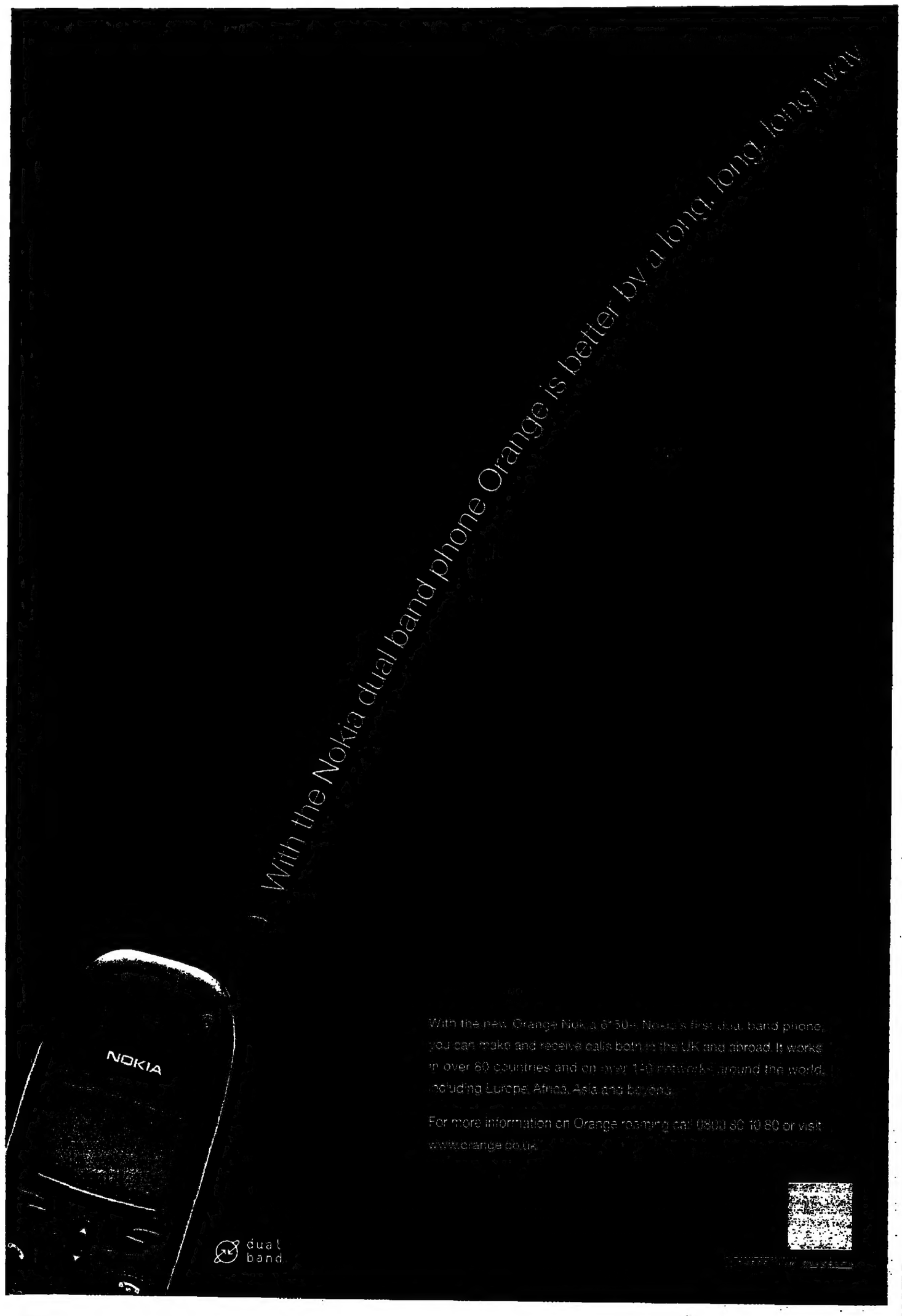
But while Mr Drinkard can be a cautious traveller, he throws some of this caution to the wind when it comes to getting to know the country in which he's doing business. A gregarious nature, a desire to learn about the world and bags of energy means he immerses himself into the local culture wherever he goes.

Football is one way he does this. "When I went to a Boca Juniors match in Buenos Aires, the locals I was training couldn't believe it," he says. "I mean, if Boca Juniors played in New York they'd be playing in the Bronx so no one wanted to come with me. I was quite an oddity among my seat mates. But it was brilliant – no scoreboards, no music, no cheerleaders. It was pure football.

"I left when Boca Juniors lost, in case the crowd blamed the gringo. But when the next day I told my trainees I'd been to the match, they thought I was the greatest."

It is these kind of experiences that sustain Mr Drinkard through a gruelling schedule which takes him to some 18 countries or more a year. "For me, business travel is a chance to learn and that's why I do it," he says. "And if I look on a place as if I'm living there – even if its only for a couple of weeks – I don't miss as many things from home."

But if football matches help keep him globe-trotting, so do a couple of items which, along with a Swiss Army knife, tablets and syringes, he deems essential: "I always travel with my cigar cutter, a personal CD player and a few CDs. Many a rough day has been gotten though with some good music, a Cuban cigar and a glass of whisky consumed on a hotel balcony."

Martin Sexton: 'A very privileged life' — David Ahmed

# I get thrills without all those frills

**Gillian Upton** catches up with a busy globetrotter who finds time to relax on trips to some of his favourite cities

The one thing Martin Sexton does not complain about is travelling. "I love it," he says. "It's a very privileged life. I'm a geography graduate, and I haven't got it out of my system."

Mr Sexton's schedule takes him once or twice a week from the UK into continental Europe and once a month to the US in his role as vice-president corporate communications for Unisys, the US-based information technology-based solutions company.

He is currently travelling more than usual as a member of the nine-strong task-force managing a company repositioning and rebranding exercise. Trips to company headquarters in Philadelphia, and also to New York, are now more commonplace. And not for him the luxury of a business class seat; all his travel is at the back of the aircraft.

British Airways is his preferred airline to Philadelphia because of its direct service... but in using BA he is being allowed to break with company policy. Unisys, he says, believes the airline's prices are not competitive.

Within the US he flies with United, which he likes for its seat-back TV in Boeing 767s and good legroom. Within Europe he flies British Midland when possible.

Mr Sexton follows a strict routine on long-haul flights, and this may help him escape the horrors of jetlag. He eschews alcoholic drinks and food, changes his watch to local time as soon as he boards the aircraft, and spends his time catching up on reading or writing reports.

"I turn up at check-in at the last minute, take only carry-on luggage, and work," he says. "On the way back I've got it down to a fine art. I get stuck into a window seat in economy class, put on some eyeshades, pull the blanket around my neck and usually manage to wake up when we're about to descend into London."

"The [extra] space in business class is a big 'con' trick, says Mr Sexton. "Once you're asleep you don't need space." But he does admit that he's lucky in being able to sleep easily at 30,000ft.

Company travel policy dictates choice of hotels. Mr Sexton's continental European trips are for meetings with staff, local press, country managers and reviews of advertising agencies, so hotels are chosen for proximity to local Unisys offices.

He is pragmatic about staying in hotels: "They're somewhere to put your head down. Regular travellers don't get taken in by all the frills."

Mr Sexton's real enthusiasm for travel is the cities he is able to visit. In Europe his favourite city is Vienna. "I spent three years there, and it's the most wonderful city," he says. "It has everything: a good climate with distinct seasons, cold and crisp in winter and warm and sunny in summer. And it's the centre of Europe so you can drive to a ski resort at the weekend or to Prague, Budapest, Salzburg or Warsaw. I'm deeply in love with the city."

When travelling he keeps in touch with his office by mobile phone. "Laptop PCs are too heavy to carry," he says. He keeps expenses down by working out of Unisys offices rather than using hotel business centres or telephones. Despite these efforts, however, the downside to life on the road for him is returning to the office. "Then you face the real mail, having dealt with only e-mail while you're away".

Mr Sexton feels his travelling life would be improved immeasurably, if airlines could tackle the problem of long waits for luggage.

He would also like to see more airlines introduce a full-fare economy class cabin section so he did not have to sit next to backpackers. Virgin Atlantic has been operating a special cabin for full-fare economy class passengers for six years. Called Premium Economy, it offers free drinks, extra legroom and free newspapers and magazines.

"I don't plan ahead beyond a couple of weeks so I can't get Apex fares, but if I've paid full fare economy then I should be treated differently, perhaps with a little bit of extra legroom," he says.

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